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ABSTRACT

This congressional report contains testimony given at an oversight hearing on the termination of the Community Services Administration (CSA) and the subsequent transition to the community services block grant program. Among those organizations and agencies represented at the hearing were the following: the National Community Action Agency; the Department of Health and Human Services; the CSA; the National Association of State Economic Opportunity Office Directors; the Highland County Community Action Organization of Hillsboro, Ohio; the U.S. General Accounting Office; the North Hudson Community Action Corporation of Union City, New Jersey; United Progress, Inc.; and Denver Opportunity, Inc. Excerpts from the Congressional Record and from various pertinent newspaper articles are also included in the report. (MN)

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OVERSIGHT HEARING ON THE TERMINATION OF THE COMMUNITY SERVICES ADMINISTRATION

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HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, D.C. ON
SEPTEMBER 30, 1981

Printed for the use of the Committee on Education and Labor

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OVERSIGHT HEARING ON THE TERMINATION OF THE COMMUNITY SERVICES ADMINISTRATION

WEDNESDAY, SEPTEMBER 30, 1981

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:33 a.m., in room 2261, Rayburn House Office Building, Hon. Baltasar Corrada presiding.

Members present: Representatives Corrada, Williams, Petri, and Coleman.

Staff present: Gordon A. Raley, staff director; Michelle D. Stent, legislative counsel; Deborah L. Hall, clerk; and John Dean, minority senior legislative associate.

Mr. CORRADA. Good morning, ladies and gentlemen.

Pursuant to its oversight responsibility for the Economic Opportunity Act, the Subcommittee on Human Resources convenes today to review the termination of the Community Services Administration. As of midnight tonight, CSA will cease to exist.

As I am told, this will mark the first time a Federal agency has been totally eliminated since the end of World War II.

The national effort to prevent poverty will now be carried on by State governments through the community services block grant program. This program will be administered by the Department of Health and Human Services. Since August 13, the Director of the Office of Management and Budget, Mr. David Stockman, has been in charge of CSA and responsible for its termination and the transition of programing to the Department of Health and Human Services.

We are basically here today to make sure that the transition is taking place properly so that services to the poor, which Congress intends to be continued through the block grants, do not suffer more than the President's budget cuts will dictate.

During the conference on the Reconciliation Act, members of the subcommittee, both Democrats and Republicans, expressed concern that 6 or 7 weeks might not be enough time for a proper transition and suggested that perhaps CSA should remain alive for another 3 to 6 months in a transitional status.

The administration promised a smooth transition and, in fact, the transition provisions of the Reconciliation Act are those of the

administration. We are here today to gain assurance that promises are being kept.

In order to gain these necessary assurances, the subcommittee has invited witnesses representing major parties involved in CSA's termination and the transition to State block grants. Since the Budget Reconciliation Act placed primary responsibility for the termination of CSA in the hands of the Director of OMB, the subcommittee felt it was important that Mr. Stockman or his designee be present. We regret that Mr. Stockman has declined our invitation to participate.

We are pleased, however, to have Mr. Dwight Ink, Director of the Community Services Administration, Dorcas Hardy, Assistant Secretary for Human Development Services, and representatives of State economic opportunity offices, community action agencies, and CSA Federal employees.

Mr. Dwight Ink is our first witness.

Mr. Ink has had the distinction of serving seven Presidents and has presided over programs ranging from atomic energy to rebuilding Alaska after the 1964 earthquake. He has also worked with OMB, HUD, and the General Services Administration.

Now retired from career civil service, Mr. Ink left a vice presidency of the National Consumer Cooperative Bank to take this assignment.

Before we go ahead with Mr. Ink's testimony, I would, of course, invite any of the members of this subcommittee, and particularly the ranking Republican, to make remarks at this time.

Mr. PETRI. Thank you, Mr. Corrada.

I would just say that I am particularly happy that we have, as our lead witness, Dwight Ink, who is a distinguished civil servant and has set a fine example for others in the career service of this country.

I had the opportunity to observe Mr. Ink as a young person back at the end of the last decade, when I was working for the Ash Council, and I know that it is a different kind of earthquake that has occurred, not the Alaskan earthquake, but something that is almost unprecedented in recent Government history in Washington, the wrapping up of an agency at the Federal level and transfer of responsibilities to the State level of government. It is something that will always be, I expect, somewhat difficult and traumatic, and I just want to congratulate Mr. Ink and his associates for their conduct under difficult circumstances.

Mr. CORRADA. Any of the other members wish to make a statement at this time?

Then we will listen to our first witness, Dwight Ink, Director, Community Services Administration. Please proceed with your testimony, Mr. Ink.

[Prepared testimony of Dwight A. Ink follows:]

PREPARED TESTIMONY OF DWIGHT A. INK, DIRECTOR, COMMUNITY SERVICES ADMINISTRATION

Mr. Chairman and Members of this Subcommittee, I am very pleased to have this opportunity to appear before you and to participate in this oversight hearing on the termination of the Community Services Administration.

As you know, in accordance with Congressional directive, today marks the final day of OEC/CSA's legislative authority as an independent Federal agency. Effective

tomorrow, October 1, the Economic Opportunity Act of 1964, except for Titles VIII and X, is repealed and with it, CSA's operating mandate.

Seventeen years ago when the Office of Economic Opportunity, CSA's predecessor, was first established, I believe it was true that many States were unprepared to take a sufficiently comprehensive approach to social problems. As a Nation, we were not meeting the needs of our poor, our minorities or our disadvantaged. Therefore, it was necessary for the Federal Government to intervene. But much has changed in those last 17 years at the State level through reapportionment, through modernization of State administrative and accountability procedures, through revisions in state constitutions, and through a vast increase in State administration of social problems.

Today, the time has come that this change is recognized and institutionalized in a new era of Federal-State partnership. I have been in government for over 30 years from city hall to six different Federal agencies. My experience over those years with the morass of Federal red tape, the entanglements of duplicative and fragmented categorical grant programs, and the frustration of State and local governments unhappy with Federal directives which did not meet local problems, make me a strong proponent of the block grant approach in most instances. We in Washington sometimes tend to focus more on process than substance, and I am heartened that this Congress and this President have demonstrated the courage to draw upon our 17 years of Federal experience and institutionalize at the State-level what we have learned in the poverty area.

The public law enactment of the new Community Services Block Grant Act 7 weeks ago posed both challenges and opportunities. For me, as the Director of the Community Services Administration, there was the unprecedented task of closing down the first Federal independent agency with a regional structure since World War II, and to do so in a relatively short amount of time, namely the 7 weeks remaining in fiscal year 1981.

For the States, the CSBG Act posed the challenge and opportunity of preparing for assumption of a new anti-poverty block grant based on a balanced approach between State authority and flexibility on the one hand and assured targeting and oversight on the other.

At the interagency level, the CS block grant posed a further challenge to interagency cooperation and coordination to ensure the responsible closedown of DSA and evolve a responsible transition to a new block grant which would be administered by the states through an Office of Community Services at the Department of Health and Human Services. The termination of CSA also presented the challenge and opportunity to demonstrate that Federal agencies can be closed, with minimal disruption and compassion to both agency employees and those served by agency programs. Indeed, the closure of an independent agency, such as CSA, is rare, if not without precedent in the Federal arena.

Mr. Chairman, we have worked hard at CSA to accomplish the tasks before us with responsibility to the closeout mandate we had and yet with sensitivity to both our employees and those we served. While actual implementation of our closedown effort necessarily had to await congressional enactment of authority, as early as last February, a planning group was convened in the White House to begin the process of developing an administrative framework for President Reagan's block grant proposals which included CSA programs. In late March and April, I began work with an interagency team on CSA transition, and on May 4, I was formally detailed to the White House to outline plans for the possible phaseout of the agency should Congress so direct. As part of this early effort, a series of CSA task forces was planned to develop recommendations for improving CSA management and also to prepare recommendations for actions which would have to be taken in the event Congress did not reauthorize CSA.

On June 30, I was officially sworn in as the new Director of the Community Services Administration and with an excellent team assembled at CSA, was able to begin implementing CSA management improvement plans as well as greatly accelerate transition planning for possible closeout of CSA. The planned task forces—13 in all—were immediately set in motion under the direction of CSA headquarters or field career staff and composed of CSA management personnel and representatives of my senior staff team. Based largely on those recommendations of these task forces which I approved, our administrative program at CSA from July 1 onward progressed on three tracks:

(1) First, there was the obvious need to continue the ongoing program administration of the agency, including fourth quarter fiscal year 1981 grant disbursements, and to strengthen the financial management of the agency, particularly in the areas

of control and reporting deficiencies, disallowed costs, delinquent audits, and audit resolution.

(2) Second, we had to develop and implement internal and inter-agency transition activities necessary for a transfer to the block grant approach.

(3) And finally, there was the closeout of the agency itself with emphasis on grant oversight and monitoring, resolution of outstanding audits, transfer of our audit responsibilities, property and records disposition and outplacement for CSA personnel.

With passage of the CSBG Act on July 31, and its signature into public law on August 13, the recommendations of the CSA task forces formed the basis for the closeout plans I approved. This approved plan contained roughly 200 of the activities required to terminate CSA that we believed were especially important to track. Such activities ranged from moving forward with our CSA efforts to address a large backlog of unresolved audit issues, to updating grantee expenditure reports, to briefing every State on the CSBG (including the provision to each State of information on CSA grantees in their State). We also established opportunities in our Regions for CSA grantee leadership to meet with State officials to develop stronger working relationships between the Federal and State government and help ease the transition to the block grant. CSA staff also were available on request to meet with grantees and affected individuals and public interest groups. Numerous such meetings took place with representatives of such groups as the National Governors Association, the U.S. Conference of Mayors, the National League of Cities, the National Conference of State Legislatures, the National C.A.A. Executive Directors Association, the National Association of State Economic Opportunity Offices, and the Council of State Community Affairs Agencies.

Other activities we undertook included personal visits both by me and other headquarters staff to each CSA region to assess problem areas. The development of up-to-date property and records inventories for ultimate transfer to HHS or GSA, and the achievement of a significant reduction of CSA regulations both to facilitate the transfer to the block grant as well as further President Reagan's deregulation initiatives.

Mr. Chairman, I would like to expand for a moment on the area of financial management.

First, we have been able to achieve significant results over the last 90 days in reducing a sizable backlog of unresolved grantee audits at CSA. On June 30, 1981, the date I was sworn in as Director of CSA, there were 525 unresolved audits, some dating back to 1971. An additional 197 audits were issued during the period of July 1, 1981 through the end of the 1981 fiscal year. These audits also required response bringing the total of unresolved audits needing response to 721. Over the period of 3 months, with able assistance from Defense Audit Agency contract specialists, we were able to reduce this unresolved audit backlog by nearly 65 percent to a total of 255 remaining unresolved audits of which less than half are overdue. In addition, during the past 3 months we have also taken steps to ensure that additional grant funds are not released to grantees with open audit issues until such issues are resolved, a matter which apparently had not been given any emphasis in recent years.

There has been GAO and congressional concern regarding the millions of dollars of disallowed costs by grantees for which no action had been taken to seek recovery. Some of these disallowed costs dated back over several years and involved a series of grant awards. I initiated several actions aimed at addressing this problem. More specifically, I (1) made the resolution of disallowed costs a priority effort within the agency; (2) tied grant funding decisions to the resolution of disallowed costs; and (3) arranged for grantee repayment or an increase in the non-Federal share of subsequent grants.

Finally, we had to face the issue of excess funds in the hands of grantees. Like a run on a bank on the verge of closing, I wanted to avoid CSA grantees hedging against the future by making excessive drawdowns on excess cash. Such action is prohibited by both CSA and Treasury regulations. To avoid this scenario, and because I discovered this was another area which has not been given much emphasis in CSA, we identified those grantees which appeared from expenditure reports to hold excess cash and directed our Regional offices to personally review each situation and, if appropriate, draw back excess funds in grantee bank accounts and restore the funds to the letter of credit of the grantee.

Mr. Chairman, one problem area which I wish we had time and funds to change was the cycle for funding large CAA's which had evolved over the years. Because of funding shortfalls at CSA in the mid-70s, most of CSA's larger grantees have been funded on a fiscal year basis while their grant program year extended into the next fiscal year. For such grantees, particularly those whose funding cycle ends today, the need for early block grant funding has created regrettable anxiety and uncer-

tainty. Since an extraordinary percentage of CSA fiscal year 1981 headquarters grants were obligated during the period of November 5, 1980 to January 29, 1981, prior to my becoming Director, there was little we could do to resolve this problem after I joined CSA.

One of the most urgent tasks facing CSA in its closeout was to provide outplacement support and services to the over 900 CSA employees facing a reduction-in-force. It soon became clear that despite excellent cooperation from OPM, the existing approaches to RIFs were not adequate for the special conditions faced by totally closing an agency. The short timetable further complicated the difficult task of outplacement. Therefore, a special outplacement services program was established on August 4 to provide more comprehensive support and services to displaced CSA employees. Both public and private resources were marshalled for this effort, and a large number of short intensive seminars and workshops were held to aid CSA employees. In addition, each region was directed to establish its own outplacement effort for which headquarters provided a variety of support measures.

Due to the large number of RIFs in other Federal agencies and our very short timetable, there are still a sizable number of CSA employees not yet placed, but I have made arrangements for the continuation of special outplacement assistance for CSA employees, both in the regions and headquarters for the next several months.

I would emphasize that from our experience at CSA, we learned that existing Federal approaches to RIFs are geared more to partial RIFs than agencywide RIFs. I support reduction of the Federal workforce, but Federal outplacement support is ill-equipped to handle the unique situation we faced at CSA—and that others may face in the future—where an entire agency is terminated.

Certainly where an entire agency is being abolished and no parent agency exists, special provision should be made to assist the unique circumstances of those employees. The need for special attention to personnel records and procedures and severance and retirement issues almost becomes overwhelming. Outplacement assistance and consideration for other Federal jobs in competition with everyone else in the job market are particularly critical.

While we brought in some excellent outside help to bolster our reemployment service at CSA, it is clear that in addition to existing Federal outplacement processes, new Federal outplacement procedures will have to be evolved and new systems standardized if future agencywide RIFs are to be handled with the compassion, responsiveness and sensitivity they demand.

Mr. Chairman, I realize the time constraints on your hearings this morning and I know you may have some questions you wish to pose.

However, before closing, I would like to make a few final points.

First is that given the personal uncertainties each career individual at CSA faced with the imminent loss of job, I can only say that the teamwork and dedication displayed under very difficult circumstances were unprecedented in my Federal career experience. It is a uniquely difficult assignment for any Federal employee to preside over the end of a Federal agency and look for a job, while at the same time meeting ongoing work responsibilities. Not surprisingly, morale was very low at CSA. Nevertheless, in most cases, the job effort has been high and deserves recognition and praise. Above all else, Mr. Chairman, the Federal bureaucrat is a dedicated professional, and or experience at CSA proved that that professionalism holds firm even in the most difficult of circumstances.

Finally, I would like to assure the Subcommittee that the Community Services Administration is prepared to shut its doors at close of business today. Although every problem has not been resolved, interagency agreements have been reached to address the remaining close-out activities. The Department of Health and Human Services has agreed to accept the responsibility of sevicing CSA grantees until current grants are expended and to ensure proper oversight and accountability over those funds. In addition, with administrative support from HHS, CSA's Inspector General operation will provide audit oversight over ongoing grantees. I have been impressed with the short time in which HHS has moved forward with implementation of the block grant service enactment into public law on August 13.

In terms of administrative responsibility over such final closeout issues as CSA payroll, property and records, and bill-paying, the General Services Administration has accepted these delegations. GSA personnel have been on full detail to CSA for several weeks and have offered superb support and assistance. GSA has arranged modified telephone service in CSA's Regions and Headquarters offices after October 1, and will take down necessary information from callers for later response by other Federal agencies. GSA will also sort CSA mail which arrives after October 1 and advise mailers to which Federal agency their letters have been forwarded for response.

We also have received considerable assistance from the Office of Personnel Management in terms of employee issues at CSA. On July 30, Mr. Devine alerted the Federal Executive Boards to the unique employee problems facing CSA and requested their help in finding jobs. As many of our employees may need outplacement help after today, OPM has arranged to provide space, typewriters, telephones and copying services for ongoing outplacement efforts both in Washington and the regions until December 15. GSA will temporarily hire former CSA employees to staff these OPM outplacement centers for CSA personnel.

In particular, I wish to note that the leadership and guidance of the Office of Management and Budget proved crucial throughout the close-out process at CSA. OMB support facilitated not only the mustering of other agency resources and staff help in CSA's closedown, but, as you know OMB forwarded to the Congress a proposal for funding close-out costs of CSA. Our full request was supported by OMB, and Mr. Stockman provided me assurances from the outset that the necessary steps would be taken to secure these funds which included severance and lump sum annual leave payments for our employees. Such necessary funds, I'm very pleased to say, are in the continuing appropriations bill.

In closing, I have appreciated the opportunity to work with this Subcommittee over the past several months and will be pleased to try to respond to any questions you might have.

TESTIMONY OF DWIGHT A. INK, DIRECTOR, COMMUNITY SERVICES ADMINISTRATION, ACCOMPANIED BY KURT CHRISTIANSON AND FRED FRIELICHER

Mr. INK. Thank you, Mr. Chairman.

Mr. CORRADA. We would like to advise the witness, of course, that his entire testimony will be made a part of the record of these proceedings, and he may feel free to read those portions of the statement that he wishes to, and any additional statements that he would like to make. So, please proceed.

Mr. INK. I appreciate that, Mr. Chairman. I realize the committee has other witnesses, and I do have a fair number of things to attend to back at CSA since there is not a great deal of time left to finish my assignment.

I have with me at the table Mr. Christianson, the Comptroller of the Community Services Administration. Also Mr. Fred Frielicher our general counsel, is in the row behind me.

Mr. Chairman, if I could begin the reading of my statement, the first full paragraph of page 3.

Mr. Chairman, we have worked hard at CSA to accomplish the tasks before us with responsibility to the closeout mandate we have received, and yet with sensitivity to both our employees and those we served.

While actual implementation of our closedown effort necessarily had to await congressional enactment of authority, as early as last February a planning group was convened in the White House to begin the process of developing an administrative framework for President Reagan's block grant proposals, which included CSA programs.

In late March and April I began working with an interagency team on CSA transition, and on May 4 I was formally detailed to the White House to outline plans for the possible phaseout of the agency, should Congress so direct.

As part of this early effort a series of task forces was planned though not implemented, to develop recommendations for improving CSA management and also to prepare recommendations for ac-

tions which would have to be taken in the event Congress did not reauthorize CSA.

On June 30 I was officially sworn in as the new Director of CSA, and with an excellent team was able to begin implementing CSA management improvement plans, as well as greatly accelerate the transition planning for possible closeout.

The planned task forces, 13 in all, were immediately set in motion under the direction of CSA headquarters or field career staff, and they were composed of CSA management personnel and representatives from my senior staff team.

Based largely on those recommendations of these task forces which I approved, our administrative program at CSA from July 1 onward progressed on three tracks.

First, there was the obvious need to continue the ongoing program administration of the agency, including fourth quarter fiscal year 1981 grant disbursements, and to strengthen the financial management of the agency, particularly in the areas of control and reporting deficiencies, disallowed costs, delinquent audits, and audit resolution.

Second, we had to develop and implement internal and interagency transition activities necessary for a possible transfer to the block grant approach.

And finally, there was the closeout of the agency itself, with emphasis on grant oversight and monitoring, resolution of outstanding audits, transfer of audit responsibilities, property and records disposition and outplacement for CSA personnel.

With passage of the Block Grant Act on July 31 and its signature into public law on August 13 the recommendations of the task forces then formed the basis for the closeout plans I had approved.

This approved plan contained roughly 200 of the activities required to terminate CSA that we believed were particularly important to track. Such activities ranged from moving foward with our CSA efforts to address a large backlog of unresolved audit issues, to updating grantee expenditure reports, and to briefing every State on the block grant, including the provision to each State of information on CSA grantees in their State.

We established opportunities in our regions for CSA grantee leadership to meet with State officials to develop stronger working relationships between the Federal and State government and to help ease the transition to the block grant.

CSA staff also were available on request to meet with grantees and affected individuals and public interest groups. Numerous such meetings did take place with representatives of such groups as the National Governors Association, the U.S. Conference of Mayors, the National League of Cities, the National Conference of State Legislatures, the National Community Action Agency Executive Directors Association, the National Association of State Economic Opportunity Offices, and the Council of State Community Affairs Agencies.

Other activities we undertook included personal visits, both by me and other headquarters staff, to each CSA region to assess problem areas. I visited each of the 10 regional offices. The development of up-to-date property and records inventories for ultimate transfer to HHS or GSA, and the achievement of a significant re-

duction of CSA regulations, both to facilitate the transfer to block grant as well as further President Reagan's deregulation initiatives.

I will skip the next two pages and resume with the first full paragraph on page 7, Mr. Chairman.

One problem area which I wish we had had time to change dealt with the cycle for funding large Community Action Agencies which had evolved over the years.

Because of funding shortfalls at CSA in the midseventies, most of CSA's grantees have been funded on a fiscal year basis while their grant program year extended into the next fiscal year.

For such grantees, particularly those whose funding cycle ends today, the need for early block grant funding has created regrettable anxiety and uncertainty. Since an extraordinary percentage of CSA fiscal year 1981 headquarters grants were obligated during the period of November 5, 1980, to January 29, 1981, prior to my becoming director, there was little we could do to resolve this problem after I joined CSA.

One of the most urgent tasks facing the agency in its closeout was to provide outplacement support and services to the over 900 CSA employees facing a reduction-in-force.

It soon became clear that despite excellent cooperation from OPM the existing approaches to the RIF's were not adequate for the special conditions faced by totally closing an agency.

The short timetable further complicated the difficult task of outplacement. A special outplacement services program was established on August 4 to provide more comprehensive support and services to displaced CSA employees.

Both public and private resources were marshalled for this effort, and a large number of short intensive seminars and workshops were held to aid the employees. In addition, each region was directed to establish its own outplacement effort, for which headquarters provided certain support measures.

Due to the large number of RIF's in other Federal agencies and our very short timetable, however, there are still a sizable number of CSA employees not yet placed. I have made arrangements for the continuation of special outplacement assistance for CSA employees after today, both in the regions and headquarters.

I would emphasize that from our experience at CSA we learned that existing Federal approaches are geared more to partial RIF's than to agency-wide RIF's. Federal outplacement support is not well equipped to handle the unique situation we faced at CSA and others may face in the future, where an entire agency is terminated.

Certainly where an entire agency is being abolished and no parent agency exists special provision should be made to assist the unique circumstances of those employees. The need for special attention to personnel records and procedures and severance and retirement issues become overwhelming. Outplacement assistance and consideration for other Federal employees in competition with everyone else in the job market are particularly critical.

We brought in some excellent outside help to bolster our reemployment service at CSA, but it is clear that new procedures will have to be evolved and standardized if future agency-wide RIF's

are to be handled with the compassion, responsiveness and sensitivity they demand.

I would like to make a few final points.

First, given the personal uncertainties each career individual at CSA faced with the imminent loss of job I can only say that the teamwork and the dedication displayed under very difficult circumstances were unprecedented in my Federal career experience. It is a uniquely difficult assignment for any Federal employee to preside over the end of a Federal agency and look for a job, while at the same time meeting ongoing work responsibilities.

Not surprisingly, morale was very low at CSA. Nevertheless, in most cases, the vast majority of cases, the job effort has been high and deserves recognition and praise. Above all else, Mr. Chairman, the Federal bureaucrat is a dedicated professional, and our experience at CSA, I believe, has proven that professionalism holds firm even in the most difficult of circumstances.

I would also like to assure the subcommittee that CSA is prepared to shut its doors at the close of business today. Although not every problem has been resolved, interagency agreements have been reached to address the remaining closeout activities.

The Department of Health and Human Services has agreed to accept the responsibility of servicing CSA grantees until current grants are expended, and to insure proper oversight and accountability over those funds.

In addition, with administrative support from HHS, the former CSA Inspector General's leadership will provide audit oversight over ongoing grantees. I have been impressed with the short time in which HHS has moved forward with implementation of the block grant service which was enacted into public law on August 13.

In terms of administrative responsibility over such final closeout issues as CSA payroll, property and records and bill-paying, the General Services Administration has accepted these delegations. GSA personnel have been on full detail to CSA for several weeks and have offered superb support and assistance.

GSA has arranged modified telephone service in CSA's regions and headquarters offices after October 1, and will take down necessary information from callers for later response by appropriate Federal agencies.

GSA will also sort CSA mail which arrives after October 1 and advise mailers to which Federal agencies their letters have been forwarded for response.

We also have received considerable assistance from the Office of Personnel Management in terms of employee issues at CSA.

On July 30, Mr. Devine alerted the Federal Executive Boards to the unique employee problems facing CSA and requested their help in finding jobs. As many of our employees may need outplacement help after today. OPM has arranged to provide space, typewriters, telephones, and copying services for ongoing outplacement efforts, both in Washington and the regions, until December 15.

GSA will temporarily hire a few former CSA employees to staff these OPM outplacement centers for CSA personnel.

In particular, I want to note that the leadership and guidance of the Office of Management and Budget has proved crucial to the

closeout process at CSA. OMB support facilitated not only the mustering of other agency resources and staff help in CSA's closedown, but as you know, OMB forwarded to the Congress a proposal for funding closeout costs of CSA, and our full request was supported by OMB.

Mr. Stockman provided me assurance from the outset that the necessary steps would be taken to secure those funds, which included severance and lump-sum annual leave payments for our employees. Such necessary funds I am pleased to say are in the continuing resolution appropriations bill, which I believe Congress will be acting on today.

In closing, I have appreciated the opportunity to work with this subcommittee over the past several months and will be pleased to try to respond to any questions that you might have.

Mr. CORRADA. Thank you, Mr. Ink, for your statement.

I can only say, of course, it is a very sad occasion for us to be present at the demise of a Federal agency that received the support of many prior Congresses and the support of several Presidents of our Nation, both Democrats and Republicans. But perhaps paraphrasing that famous poem "For Whom the Bell Tolls" I tell you the bell is not tolling for the employees of CSA nor this agency. The bell tolls for the poor of this Nation.

May I say also that while one agency may be folding up that deals with the problems of fighting the war against poverty that war is never ending, and it is one of the principal commitments of this Nation, to fight poverty; as it is one of the principal commitments of this Nation to fight in foreign affairs against those who attempt against the freedom of our Nation. And I hope that the thrust, the drive of those at CSA, the energies expended for so many years, will not fade away, but rather that that drive and the thrust of those who were involved will continue through other structures, perhaps at other levels of government, and, of course, through community action by the poor themselves, so that we do not lose this war against poverty.

We know we have to keep America strong domestically so that America can be strong abroad.

And I would like to ask you, how many employees are directly affected and will be affected by this reduction in force, resulting from the termination of CSA?

Mr. INK. We had at the beginning of the closeout efforts a little over 900 employees across the Nation, Mr. Chairman. And of those 900 about 470 are registered in the outplacement effort. There have been about 200 who have found jobs or resigned; we are not quite sure how many of those who resigned because they found jobs or for other reasons.

And there have been about 200 retirements. Of those who have retired some would not have retired had they had jobs to go to.

So we have, I would say, in the neighborhood of 500 CSA employees who still are in need of finding jobs.

Mr. CORRADA. What are the prospects, in your view at this point, in terms of the possibilities of these 500-odd employees being able to gain employment in the near future?

Mr. INK. They face a difficult task in outplacement, although those at the secretarial level I would not expect for the most part

to have too much difficulty, and I am quite optimistic with respect to the remaining finance people. I think the field representatives will probably have the most difficulty. Those are the most directly related to programs.

I feel very strongly, Mr. Chairman, in agreeing with your earlier comment that it is important that we not regard our attention and concern about the poor as having come to an end because a Federal agency has come to an end. Rather, the scene has shifted. What we are talking about is a transition of the local community decision-making from the Federal to the State and local levels.

I think it is important in that transition, Mr. Chairman, that these people who are familiar with the programs, many of them who have lived with the programs from their outset, that their expertise, their background be drawn upon by these other groups and organizations as they carry on the work concerned with the poor.

Mr. CORRADA. Well, I should certainly hope so, but, of course, let us also remind ourselves that the resources that are being provided through the new block grant are resources that have been debilitated by a cutback in excess of 25 percent.

Let me ask you, do you anticipate any further cuts in the community services block grant based on the second round of cutbacks recently announced?

Mr. INK. There may be, however I have not been involved in the funding or the block grants. I have not been involved in the funding decision process relating to those activities after September 30.

Mr. CORRADA. Do you have any knowledge about the possibility that the community services block grant might in fact be terminated in the near future by the administration?

Mr. INK. No, I have no such knowledge at all, Mr. Chairman. Such a possibility has never been mentioned in any of my conversations with OMB or the White House staff.

Mr. CORRADA. I will now yield to Mr. Petri for questions.

Mr. PETRI. Thank you.

I think one of the subsequent witnesses has a question that I might give you an opportunity to respond to now, and that is the provisions for disposal of the Community Service Administration's library. What provisions are being made for that?

Mr. INK. Yes, sir. We are working with GSA and HHS on that disposal. GSA is the agency which, through which we are making all the arrangements for the disposal of property, and the HHS will be the repository for that library. I am not sure that we know at this point which office in HHS, but it will be placed in HHS and GSA is handling the specific arrangements.

Mr. PETRI. Thank you.

Mr. CORRADA. Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman. Welcome to you, Mr. Ink.

Mr. Chairman, it is my judgment that today, the first day of the beginning of the fiscal year, we are witnessing the end of, at least a retreat, on the war on poverty and the beginning of the war on the poor.

I am uncertain that the retreat is one that the administration would admit to or agree to, and I am certain that they would not agree that they are launching a war on the poor. But in my judg-

ment the legislative actions which this Congress has been asked to take and which, in the most part it has mistakenly agreed to take, will demonstrate clearly within the next year or so that we have indeed sounded the retreat on the war on poverty and have begun a war on the poor.

Mr. Ink, CSA was the sole Federal agency with the mission of designing programs to move people out of poverty. With what will the administration replace it?

Mr. INK. First of all the administration certainly would not agree that it is undertaking a war on the poor. As I said earlier the scene has shifted and the decisionmaking is transferred under the block grant enacted by Congress from the Federal Government to State governments. And the block grant which covers the areas that were handled by CSA, of course, will be given oversight by HHS and by the Congress and by the General Accounting Office.

Mr. WILLIAMS. Well, I think what you have said is that there will be no single agency to design programs to move Americans out of poverty.

Mr. INK. In terms of program responsibility, that will be with HHS. In terms of the type of individual community-by-community decisionmaking you are right, that will not occur at the Federal level, and it is not intended to under the block grant.

This was an effort by the Federal Government which I think was appropriate in the midsixties because the problems facing the poor were not well addressed by any level of government.

There was a need for special attention, there was a need for trying out new and different ways of making the system better reach the poor. It was contemplated that that would be done for a period of time. I think Mr. Shriver estimated something like 1976 we would have essentially achieved our goals. People will differ, and then differed, on exactly how long it would take.

I felt then and I feel now that it was an important but temporary intervention by the Federal Government in that kind of local decisionmaking.

Now, with the experience that we have had, some of it has been good, some it has not been good; that experimentation was the nature, the objective of the organization. That experience now is at the disposal of the States. They can institutionalize it and draw upon their own backgrounds. After all, the States have been administering social programs for a good many years.

Mr. WILLIAMS. Let me speak then to that question of State administration, drawing upon your expertise as a manager and a good manager. Let me if I may, remind you that the block grant concept in this country is not new, and it has been plagued by high administrative costs, by poor recordkeeping, high rates of incomplete projects, throughout the history of block grants in America.

What does this administration intend to do to improve that dark history of the block grant programs between the Federal and State governments?

Mr. INK. First of all, I would draw a comparison between our administration of block grants and the administration of categorical grants. If you look through General Accounting Office reports, if you look through congressional reports, far more problems of a

managerial nature have emerged with respect to categorical grants than block grants.

I have gone into this area in great depth and detail, and it is absolutely horrendous the amount of time and effort and resources that are sapped by the redtape of the categorical grant system. There are occasions when we have to go the categorical route, because of the special need for special attention, and I think that was necessary for a time in this area. I think it has been necessary in some other areas, certainly civil rights, for example.

But the problems of fragmentation, the problem of responsiveness to local community needs, I think, are very serious with the categorical system. You are right in that there also have been problems with block grant administration, but I feel that we have had enough experience to be able to overcome most of those if we put the right kind of management.

I do think that in both block grant and categorical grants we have suffered because in the Federal Government as well as at other levels of government, we have not given sufficient attention to good management.

Mr. WILLIAMS. The administration has proclaimed a safety net for the truly needy or poorest of the poor. Many are distressed now that since the President's speech of last week there seems to be some movement away from that safety net. However, given that it is still in place, the administration is as equally committed to it now as it was at the beginning of the year, how does the administration intend to guarantee that safety net for those people living in the various States who have the least political influence?

Experience has shown us that State discretionary funds go to those with the most political influence; the squeaky-wheel syndrome in America rules when it comes to State discretionary dollars. So, how does the administration intend to enforce its priority protecting the poorest of the poor?

Mr. INK. With the block grant concept.

I think the block grant area is something more appropriately addressed by HHS, but let me make one comment nonetheless.

As you know, this block grant legislation does require a continuation of the involvement of representation from the poor in the board of directors of the organizations which are carrying out the programs of the new block grant legislation. That one-third, one-third, one-third formula carries over from the categorical system to the block grant system.

Mr. WILLIAMS. And finally, Mr. Chairman, let me just address Mr. Ink's comment concerning the necessity of a war on poverty as it was designed back in the 1960's, and somehow the diminution of the necessity of that war today.

I do not know that Americans ever feel more patriotic or prouder than when they are reaching beyond what they expect to be able to grasp. I cannot remember in my lifetime a more exciting period than those few years when Jack Kennedy and later Lyndon Johnson, was assuring this Nation that we could step out and try to end poverty, disease, despair, deprivation in America. It was at that point that Americans held their heads the highest.

Now there has been some impatience, and some of it is understandable, with the fact that poverty has not been eliminated.

Through the 1960's poverty was reduced by a remarkable 25 percent, and during the inflationary seventies the poverty has been held at a level and has not, by most statistics increased, which I think is a remarkable accomplishment of the war on poverty. During a decade of runaway inflation poverty did not increase.

So, I think that the war on poverty works.

Now, who was impatient with it? I think the "new right" was impatient with it.

The leadership that was impatient with it is the leadership of the "new right," and I just suggest, Mr. Chairman, that they simply did not listen during Jack Kennedy's inaugural address when he laid out the New Frontier, and he said that all of this would not be accomplished in the first 100 days, nor in the first 1,000 days, nor perhaps in the lifetime of his administration, nor perhaps in our lifetime on this planet, but he said let us begin.

And we began. Americans want to reach for the stars, and today is a day that history is going to record as a day when an American president sounded the retreat.

Thank you, Mr. Chairman.

Mr. CORRADA. Thank you, Mr. Williams.

Mr. INK. I would like to make the comment——

Mr. CORRADA. Surely. Please go ahead.

Mr. INK. As I said earlier not only is the administration not retreating from a war on poverty, neither is this a discontinuing concern for the poor. It is a shift of the decisionmaking from the Federal Government to the State government, and I would point out that the States for many years have been innovative with respect to social programs and social activities.

If you look at the record, you will find that the amount of money the States have put into a whole series of social programs, in terms of real dollars from State-generated funds, has increased substantially during the intervening 15 years. They have administered a large number of social programs.

The States have the advantage of the experience which has been developed over the last 17 years, and I would further point out that so long as the Federal Government on a permanent basis makes the decisions with respect to local communities, it is extremely difficult for the States to ever assume the full responsibility or accountability in this area.

And I think the voters of the States are cheated when they are not able to hold their State and local officials accountable for how they conduct these social programs, and I do not feel they can be held accountable so long as the Federal Government is calling the shots, and I would say under a categorical system I do not think anybody can be held accountable.

I think the voters of this Nation are seriously handicapped by a system so complex you cannot find out who made a decision. And that has been the pattern in most of our categorical assistance.

Mr. CORRADA. Before we go to Mr. Coleman I would like to comment that this question of shifting responsibility from the Federal Government to the State and local governments is one of great debate. One of the basic problems that we have here is that it is not really just a shifting of the responsibility to fight the war against poverty from the Federal to the State and local levels. Of

course that war has to be fought at all fronts, but it also raises the question of a retrenchment on the part of the Federal Government in its responsibility to complement the efforts of the State and local governments.

For instance, we are not only block granting CSA, we are killing CSA as a Federal agency, but we are not shifting the funds to the State and local governments at an adequate level. CSA was funded at the level of $541 million for fiscal year 1981.

Under the Budget Reconciliation Act, which provided for the block granting of CSA and its demise that level was reduced to $389 million for fiscal year 1982.

And in the appropriations for the CSA block grant now pending before the House and the Senate that level is further reduced to $362.5 million and the House appropriations bill, reported by the Appropriations Committee to the full House and to the sum of $250 million in the Senate appropriations bill, as reported by the Senate Appropriations Committee to the full Senate.

So we have here in a very drastic pattern, in less than a few months, a decrease from $541 to almost half of that amount for fiscal year 1982. So this is not a shifting. This is a dumping of the problems of the poor to the State and local levels, in my opinion, unless the State and local governments are able by developing State and local resources from their taxpayers and other people in the State to be able to keep this fight going on.

Unless they are able to do that then we are going to reduce substantially our effort to combat poverty in this Nation.

What we are saying here is that we are committed to war against poverty, and that resources will not be deplenished. Then this is just a cosmetic game of taking out the dollar from the Federal level and requiring that dollar to come from the State and local level. It may sound like a very interesting political maneuver that shows we are streamlining the Federal budget, but perhaps we are not showing the problems and the frictions and the irritations that we are creating in many areas and regions in this Nation where poverty is still a great problem.

Mr. Coleman?

Mr. COLEMAN. Mr. Chairman, I think we have been much too morose and too negative this morning if today is the last day of the existence of CSA.

Let us look at the bright side, that tomorrow we are going to usher in a new era of Federal-State relationships, and Mr. Ink, I think your testimony has indicated that you feel that the States are capable of performing the functions they have—the fifties and sixties were forfeited to the Federal Government because of a lack of interest and lack of direction by the States.

I believe your testimony points out that you feel the States have now prepared themselves and are going to be able to continue much of the functions that we in the Federal Government have set.

I believe this does make a philosophical change of direction, and I think a very positive one, because it is those people who are closest to the taxpayers that can decide how those tax dollars are going to be spent in the State and local communities.

I think you have written a good blueprint on how to shut down a Federal agency, and you might want to distribute copies to Secre-

tary Bell and also to Secretary Edwards as they have to dismantle some of their bureaucracy that has been set up over the years.

You are optimistic, aren't you, about this new Federal-State relationship?

Mr. INK. Yes, I am. Let me make two comments.

One, I think it is not just the States but all levels of government, Federal, State and local levels of government that I think were failing in the midsixties to recognize the problems of poverty and failing to recognize the need. When that kind of nationwide failure exists, then I think it is important and I think it is necessary for the Federal Government to address it. I do not think you can address national failure on an adequate timetable at the State and local level.

I think it should be addressed from the outset, however, with a view that once it has been addressed and we learn how to deal with the problem, then it is reinstitutionalized at the State and local level.

So, from my standpoint, the decisionmaking is now going back to where it should be on the long haul and on a permanent basis.

I really do not understand the feeling that the Federal Government functions effectively and efficiently, but the State governments do not function effectively and efficiently. I think that just is not the case.

We have some strengths and weaknesses at the Federal level. The same thing is true at the State level.

I do not at all accept the notion that Federal employees are compassionate and State employees lack compassion. I think the professional people at the Federal and State level have pretty much the same attitude with respect to human beings.

So, yes, I am confident. I recognize the concerns that the chairman has raised, about our community action agencies in the different communities with respect to the funding levels growing out of the belt tightening that has to go on, but I would suggest that if we do not find some way of curtailing our expenditures, the problems facing all of us, including the poor, as we move ahead, are going to be much more serious than those which we have faced up to now.

Mr. COLEMAN. You mention in your testimony that there are millions of dollars of disallowed costs by grantees that are owed to the Federal Government. My question is, whose responsibility is it for collecting them, and how large is this debt?

Mr. INK. We have been taking quite a few steps in this regard. For example with respect to fourth quarter funding, we have tried to make sure that that problem was dealt with before fourth quarter funding went out for grantees. In a number of instances, of course, the funding for the year has already occurred, and there we are seeking agreements for repayment.

For example, in the city of Newark, we had about $2 million in disallowed costs going back to, I think, 1973. This is a problem that had never really been adequately dealt with. It had gone on from year to year. I felt we simply could not leave that sort of thing unresolved as we move ahead after the end of the agency. We have worked out an agreement which I think we will be able to consummate today. The Community Action Agency has worked very hard;

the State has been involved; the mayor has been involved; and our regional office people have been heavily involved.

We do not have a final accounting on the number of disallowed costs.

Mr. COLEMAN. Can you give me a ball park—is it $100 million?

Mr. INK. No, disallowed costs I would guess are probably in the range of $10 to $20 million.

Mr. COLEMAN. And whose responsibility will it be after tomorrow to collect this?

Mr. INK. That will be HHS' responsibility.

I believe that most, if not all, of the major items, though, will have been resolved. When I gave you the $10 to $20 million estimate, I was talking about some weeks ago. I do not expect it to be that high when we go out of business.

Mr. COLEMAN. Have you transferred all of your data resources and records to HHS?

Mr. INK. As of close of business tonight or tomorrow, within the next 24 hours, all of our records will have been placed in the custody of GSA, and GSA is working out the arrangements with HHS as to where those records will go. Some of those records will be retained by the General Services Administration.

For example, the records necessary to handle the payout of severance pay, lump sum relief payments to our CSA employees, that will be handled by GSA and those records will be retained by them.

Those records that deal with the programs, of the Community Action agencies, for example, will be transferred to HHS.

Mr. COLEMAN. Thank you, Mr. Chairman. Let us look at the bright side of what is happening today.

Mr. CORRADA. Well, if you want to look at the bright side I invite you to come down with me to Puerto Rico, and there is plenty of sun there, as long as we do not get any——

Mr. COLEMAN. In December or January I will join you.

Mr. CORRADA [continuing]. One of those hurricanes.

That is the only bright side I can think of right now.

I have a few quick questions I would like to have for the record.

We assume, of course, that the Office of Community Services in the Department of Health and Human Services will take over the CSA block grant as of tomorrow. Is that your understanding?

Mr. INK. That is my understanding. Now what impact the restraining order might have I do not know and I cannot speak to.

Mr. CORRADA. To your knowledge has a director been selected to head that office?

Mr. INK. You will have to ask HHS. I know that the responsibility has been fixed in HHS but I am not sure that that individual is going to be the permanent director.

Mr. CORRADA. We understand that many local community action agencies and programs, as well as other grantees, had grants and contracts funded with 1981 appropriations which had contract periods extending into fiscal year 1982.

Mr. INK. That is correct.

Mr. CORRADA. Will those obligations be honored?

Mr. INK. Yes, they will.

Mr. CORRADA. Are there any unobligated funds remaining and if so how much, and will they be transferred to HHS?

Mr. INK. Yes, sir. There are some unobligated funds; exactly how much we, of course, will not know until we close our books. I would estimate, Mr. Chairman, that they are somewhere in the range of roughly $7 million. Those funds will not be transferred to HHS. Most of them will revert to the Treasury, and they are from the standpoint of overall financing of government, a partial offset to the closeout costs which the Congress, I hope, will be enacting today through the continuing resolution. These total about $30 million.

Mr. CORRADA. There have been different estimates as to how much the closing down of CSA would cost the taxpayers. Now that CSA's termination is practically complete could you give us an estimate of the cost of closing of the CSA to the taxpayers?

Mr. INK. It is very difficult to give an estimate. Let me explain why it is difficult to give an estimate. I have told you that we estimated $30 million as the costs, which have to be dealt with. These are out-of-pocket costs dealing with severance pay, lump-sum leave, final audits and that sort of thing. That is an estimate which we have forwarded to OMB which OMB has forwarded to the Congress.

There are other costs, both pluses and minuses, which our accounting systems really do not set out very well. For example, I do not know how to estimate the cost savings of the deregulation, the level of deregulation that, hopefully, will occur as a result of this change. We have cut back very appreciably on the amount of CSA regulations in anticipation of the block grant.

There is no way, we have no way of assessing those cost savings, and I am sure there are other indirect costs which do not show up in the accounting records. But insofar as the out-of-pocket costs directly associated with the closeout, $30 million has been our estimate. Again, that involves lump-sum leave and it involves unfunded liabilities that have been accumulating over a period of time, and at some point these would in most instances have to be spent anyway regardless of whether CSA closed.

Let me explain this last comment. The final audit—the $30 million includes final audit costs. At some point a final audit of each categorical grant is going to take place. So this is a funding arrangement for an activity which will eventually take place in any event.

Mr. CORRADA. Thank you.

Are there any further comments or questions by any of the members?

Mr. WILLIAMS. Mr. Chairman.

I know you want to get back to the agency, Mr. Ink, and I do not mean to hold you beyond reason, but I do want to comment on your response to Mr. Coleman in which you defined the issue, as this administration continually does, as the administration being on the side of saying State employees and State governments are not inferior to Federal employees and the Federal Government. So the administration plants itself firmly in that position, and then I assume that those of us who do not agree with everything the administration is trying to do must assume the other position.

Well, I do not accept those parameters. You see, I do not think the question is whether State employees are more tolerant of poor

folks than Federal employees. I do not think the question is at all whether State government and those who work for State government is somehow less innovative than the Federal Government or somehow State people are less intelligent than the Federal people. The issue through the years has been this: Did Alabama try to stop two little black girls from going to school? Yes.

Did the State of Mississippi try to stop Mr. Meredith from going to college because he was black? Yes.

So the Federal Government stepped in.

Did State governments ignore, along with the Federal Government, for too long, terrible, wrenching poverty in this country? Yes.

So the Federal Government stepped in.

Did all of us ignore the fact until 1935 or 1937 that senior citizens should just retire on their own without a base of financial support under them? Yes.

And so the Federal Government stepped in.

So the question as to who is the most intelligent or innovative is not the point. That point is who is ignoring the issue? And beyond that, the question now comes to a matter of management of these programs. And I think that is what we ought to focus on.

Can 50 or perhaps 1,000, or if the cities are going to run their own antipoverty program, perhaps hundreds of thousands of antipoverty programs, be managed more efficiently than we can if we focus on one central antipoverty agency which will in turn oversee those thousands and thousands of designs on how to get people out of poverty? That is the question.

Mr. INK. First of all, the other question which you say is not the question is nonetheless the question which has been raised repeatedly. So I was addressing that issue.

With respect to which is more efficient, there are hundreds and hundreds of decisions made here in Washington with respect to local communities, which I maintain is not a very efficient way of running government. I think Washington is simply too far away for that kind of community-by-community decisionmaking.

I do feel, though, as I mentioned earlier, that the kind of expertise which exists among CSA employees is expertise, a background of familiarity with these particular organizations, which I think would be useful to the States and I hope they would utilize.

As a matter of fact I have written to each of the 50 Governors urging that. So we have, I think, one area of agreement, even though there are some areas in which we obviously have a decidedly different point of view.

Mr. WILLIAMS. Thank you, sir.

Mr. CORRADA. Any further questions?

Mr. Petri.

Mr. PETRI. Where do you go to work next? [Laughter.]

Mr. INK. That is what a great many employees are asking. I do not know.

Mr. CORRADA. Well, we do not want to take more of your time. Of course when the question is asked, "Who killed CSA?" obviously the answer is not "Dwight Ink." He has been entrusted with the responsibility of executing that order, and I am sure that he has tried to do it as compassionately as possible.

If we ask the question, "Who killed CSA?" we probably would have to answer, "All of us did, one way or the other. Some by proposing it, like the administration; others by not being successful to prevent it, like a few of us here; and eventually that is a question that all the people in this Nation would have to ask as to what their responsibility has been in killing CSA.

Of course, killing CSA does not mean killing the war against poverty, and now that this has been consummated I think we have to make sure that we keep our strong efforts in fighting that war against poverty one way or the other.

So please express our condolences to all the employees and their families. And, you may leave now. We want you to be there at the funeral.

Thank you.

Mr. INK. Well, I appreciate the opportunity to appear, and I do think a major decision has been made. I think it is important to focus on where we go, focus on the future, and I think it is important not to regard this as a funeral but rather a change in the approach. People will disagree as to whether it is the right change, whether it is the right approach. It is the approach which we are embarked on, and I hope we can work together to make it as successful as possible.

Mr. CORRADA. Thank you for appearing today on behalf of your administration and informing this committee.

We will now go to our second witness, representing Dorcas Hardy, Assistant Secretary for Human Development Services. We will now hear the testimony of Teresa Hawkes, Director of Program Coordination and Review, Office of Human Development Services of the Department of HHS.

Ms. Hawkes, you are welcomed and you may proceed with your testimony. Of course your prepared statement will be made part of the record, and you may proceed now.

[Prepared testimony of Dorcas R. Hardy follows:]

PREPARED TESTIMONY OF DORCAS R. HARDY, ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. Chairman and members of the committee, I want to thank the committee for the opportunity to describe those aspects of the implementation of the community services block grant that concern the Office of Human Development Services. My name is Dorcas R. Hardy and I am the Assistant Secretary for Human Development Services, HHS.

I will be discussing the role of HHS in providing for an effective implementation of the community services block grant. In doing so, I will briefly describe the specific steps we have taken to insure a smooth implementation of the block grant on October 1, 1981.

As you will see shortly, we have every reason to be confident that an effective implementation of the block grant will take place despite severe time constraints.

The goals of the block grant approach are decentralization, economy, efficiency, and coordination. Consistent with these goals, Congress expressed its intent that States be provided with the broadest possible latitude in the use of block grant funds and be free from all but the most minimal and necessary Federal administrative and regulatory direction. Accordingly, the block grant provisions of the Reconciliation Act vest in the States maximum control and responsibility over funds made available under the statute's provisions, while strictly curtailing the administrative role of HHS.

To assist States in preparing to take on the responsibilities conferred upon them by the new block grant system, the community services block grant statute provides for a 1-year transition period. During fiscal year 1982 only, a State may exercise its

option under the act to have the Secretary of Health and Human Services carry out the program for the State, rather than immediately assuming the administrative responsibilities of the block grant program. A State choosing this option may begin managing its own block grant program in any subsequent quarter of fiscal year 1982.

HHS' preparations to administer the block grant began long before passage of the Reconciliation Act, in an effort to lay as much groundwork as possible for expediting implementation of Reconciliation Act programs, since enactment of that bill was not expected until late summer.

Several activities have taken place which have provided a basis for implementing both the social service and community services block grants:

A State assistance strategy was developed to help States deal with block grant implementation issues. The strategy was designed to use the staff and fiscal resources available to us in the most effective manner possible.

Issue papers on the implications of the block for procedures, regulations, organization, and staffing were developed and circulated in support of the Department's effort to develop and integrated policy for all block grants.

I would like to focus on specific preparations in HHS for the community services block grant. In general, these preparations have involved the establishment of effective lines of communication with all interested parties, the implementation of procedures, development of essential guidelines and minimal regulations. It must also be noted that preserving maximum State flexibility and insuring a smooth implementation have been the guiding principles underlying all our efforts.

We have endeavored over the past several weeks to communicate our preparations and decisions, as they evolved, to all those who could potentially have a need to know about them. This included Governors and State officials, Native American organizations, community groups and agencies, public interest groups and other Federal agencies.

HHS actively participated in the White House/Health and Human Services regional block grant conferences held in Boston, Atlanta, Chicago, Dallas, Philadelphia, Kansas City, Denver and San Francisco, in August and September. The purpose of these conferences was to communicate to top State officials the details of block grant implementation as seen from the Federal level. More importantly, they provided State officials with an opportunity to effectively participate in our planning.

In a similar fashion, HHS regional personnel have met with State officials in almost every State and territory. In several instances, there has been more than one meeting in an individual State. These meetings could be characterized as "roll up your sleeves" work sessions to resolve specific problems.

Additionally, all 10 HHS regional offices have been in daily communication with State officials who will be administering the block grant. Multiple inquiries have also been received—and answered—from community groups.

Through these meetings, HHS is making available to States all relevant information available to us, such as: Lists of community action agencies (CAA's) in each State; summary descriptions of each CAA; and prior funding levels.

Since mid July, other departmental officials and I have met with representatives of over 40 national and State interest groups to discuss community services block grant implementation issues. These groups include, among others:

The National Community Action Agencies Executive Directors Association.

The American Public Welfare Association.

National Governors Association.

National Association of State Economic Opportunity Officials.

National Congress of American Indians.

The Department has made every effort to coordinate our planning with those directly affected by the implementation of the block grant. On August 21, 1981, Secretary Schweiker wrote to each Governor explaining what each State needed to do in order to assume administration of the various block grants on October 1, 1981. In this letter the Secretary conveyed his intention to abstain from expansive interpretations of the legislation, and where the law provides the Department policy discretion, to pass the discretion on to the States, thus allowing them maximum latitude in fulfilling the requirements contained in the statute.

On August 25, 1981, I wrote to each Governor with more specific information and requested that they notify HHS by September 11, if possible, of the State's intention to assume or decline administration of the community services block grant on October 1, 1981. As of September 29, 1981, 45 of the 57 jurisdictions have answered. Of these, 37 have decided to assume administration of the block grant, and only 8 have declined. Several States who have declined, have indicated their intent to assume

the block grant some time during fiscal year 1982. In addition, 130 Indian tribes or organizations have indicated their interest in receiving direct funding from the Department.

Since the first response to my letter was received on September 4, 1981, follow up letters have been going to the designated State agencies in those States which opted to administer the block grant. These letters are intended to initiate a working relationship between the individual State agency and the appropriate HHS regional office. At the same time they provide specific information on items to be submitted to the Secretary before a State can begin to draw funds.

On September 9, the Secretary decided that the Department will directly fund all eligible Indian tribes and tribal organizations who apply for the five block grants that provide for direct Indian funding, including the community services block grant. Because the Department cannot set aside funds for Indians unless eligible tribes notify the Department of their intent to apply for direct funding, it was critical that the Secretary communicate his decision to Indian groups immediately and indicate that funding requests for fiscal year 1982 must be submitted immediately. At the request of the Administration for Native Americans—one of the HDS' program offices—the National Congress of American Indians did a direct mailing to tribes on September 10 highlighting the community services block grant and noting the October 1 deadline for tribal notices of intent to apply. This was followed by a mailgram on September 15 referencing the original mailout. On September 18, staff of the Administration for Native Americans began phoning each of the approximately 300 federally recognized and 35 State-recognized tribes.

On September 22, the Secretary wrote to the eligible Indian tribes and organizations inviting them to review carefully the new block grant program and, if interested in direct funding, to so indicate by forwarding a request to HHS by October 1, 1981. The request will have the effect of holding funds available for an Indian tribe or tribal organization pending receipt of an application.

I would like to cover one more item before I conclude. The Department is committed to the administration's policy of reducing or eliminating regulations. To that effect, minimal regulations specifically applicable to the community services block grant have been developed, as well as a standard regulation for all block grants administered by HHS. This standard regulation will be very brief and deal primarily with financial management and due process issues.

This concludes my statement. We will, however, be happy to appear before you at a later date to respond to your inquiry in more depth.

TESTIMONY OF TERESA HAWKES, DIRECTOR OF PROGRAM COORDINATION AND REVIEW, OFFICE OF HUMAN DEVELOPMENT SERVICES, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. HAWKES. Thank you.

Good morning. My name is Teresa Hawkes and I am the Director of the Office of Program Coordination and Review, in the Office of Human Development Services in the Department of Health and Human Services. I am appearing today on behalf of Dorcas Hardy, the Assistant Secretary for Human Development Services.

As we have agreed with your staff prior to this hearing I will be presenting formal testimony for the Assistant Secretary but will not be answering questions at this time.

Questions pertaining to personnel and staffing for the Department's administration of the community services block grant program are currently under consideration by the United States District Court for the District of Columbia.

On September 22, 1981, Judge Penn entered a temporary restraining order preventing the Department from proceeding with its staffing plans pending the court's decision on the merits of issues raised in a lawsuit brought by a labor union representing Community Services Administration employees.

Another hearing on the same issue is scheduled for October 1, tomorrow, when the court will consider the labor union's request for

preliminary injunction. We expect to receive the judge's decision shortly thereafter.

Until a decision is rendered, however, we have been advised by counsel that it would be inappropriate to comment upon matters which are at issue in the pending litigation.

We will, however, be happy to appear before you at a later date to respond to your inquiry in more depth.

I do want to thank the committee for the opportunity to describe those aspects of the implementation of the community services block grant that concern the Department of Health and Human Services.

I will be discussing the role of HHS in providing for an effective implementation of the community services block grant. In so doing I will briefly describe the specific steps we have taken to insure a smooth implementation of the block grant on October 1, 1981.

As you will see shortly we have every reason to be confident that an effective implementation of the Block Grant will take place despite severe time constraints.

The goals of the block grant approach are decentralization, economy, efficiency, and coordination. Consistent with these goals Congress expressed its intent that States be provided with the broadest possible latitude in the use of block grant funds and be free from all but the most minimal and necessary Federal administrative and regulatory direction.

Accordingly, the block grant provisions of the Reconciliation Act vest in the States maximum control and responsibility over funds made available under the statute's provisions, while strictly curtailing the administrative role of HHS.

To assist States in preparing to take on the responsibilities conferred upon them by the new block grant system, the community services block grant statute provides for a 1-year transition period.

During fiscal year 1982 only, a State may exercise its option under the act to have the Secretary of Health and Human Services carry out the program for the State, rather than immediately assuming the administrative responsibilities of the block grant program. A State choosing this option may begin managing its own block grant program in any subsequent quarter of fiscal year 1982, and HHS' preparations to administer the block grant began long before passage of the Reconciliation Act in an effort to lay as much groundwork as possible for expediting implementation of the Reconciliation Act programs.

Several activities have taken place which have provided a basis for implementing both the social services and the community services block grants.

A State assistance strategy was developed to help States deal with block grant implementation issues. The strategy was designed to use the staff and fiscal resources available to us in the most effective manner possible.

Issue papers on the implications of the block grant for procedures, regulations, organization and staffing were developed and circulated in support of the Department's effort to develop an integrated policy for all of our block grants.

I would like to focus on specific preparations in HHS for the community services block grant. In general these preparations

have involved the establishment of effective communication links with all interested parties, the implementation of procedures, development of essential guidelines and minimal regulations.

It must also be noted that preserving maximum State flexibility and insuring a smooth implementation have been our guiding principles in all of these efforts.

We have endeavored over the past several weeks to communicate our preparations and decisions as they evolved to all of those who could potentially have a need to know about them. This has included Governors and State officials, Native American organizations, community groups and agencies, public interest groups, and other Federal agencies.

HHS actively participated in the White House/Health and Human Services Regional Block Grant Conferences held in Boston, Atlanta, Chicago, Dallas, Philadelphia, Kansas City, Denver, and San Francisco in the months of August and September.

The purpose of these conferences was to communicate to top State officials the details of block grant implementation. More important, they provided State officials with the opportunity to effectively participate in our planning.

In a similar fashion HHS regional personnel have met with State officials in almost every State and territory. In several instances there have been more than one meeting in an individual State. These meetings could be characterized as "roll up your sleeves" work sessions to resolve specific problems.

Additionally, all 10 HHS regional offices have been in daily communication with State officials who will be administering the new community services block grant program. Multiple inquiries have been received and have been answered from community groups.

Through these meetings HHS is making available to States and community groups the relevant information available to us, such as: The lists of Community Action agencies in each State, summary descriptions of each agency, prior funding levels, and other information.

Since mid-July other departmental officials and I have met with representatives of over 40 national and State organizations and interest groups to discuss community services block grant implementation issues.

These groups include, among many others:

The National Community Action Agencies Executive Directors Association,

The American Public Welfare Association,

The National Governors Association,

The National Association of State Economic Opportunity Officials, and

The National Congress of American Indians.

The Department has made every effort to coordinate our planning with those directly affected by the implementation of the block grant.

On August 21, 1981, Secretary Schweiker wrote to each Governor explaining what each State needed to do in order to administer the various block grant programs on October 1, 1981.

In this letter the Secretary conveyed his intention to abstain from expansive interpretations of the legislation, and where the

law provides the Department policy discretion, to pass the discretion on to the States, thus allowing them maximum latitude in fulfilling the requirements contained in the statute.

On August 25, 1981, we wrote to each Governor with more specific information and requested that they notify HHS by September 11 if at all possible of the State's intention to assume or decline administration of the community services block grant on October 1, 1981.

As of September 29, 1981, 45 of the 57 jurisdictions have answered. Of course 37 have decided to assume administration of the block grant, effective October 1, and only 8 have declined.

Several States who have declined have indicated their intent to assume the block grant at some other quarter during 1982.

In addition, 130 Indian tribes or organizations have indicated their interest in receiving direct funding from the Department.

Since the first response to our letters was received on September 4 follow-up letters have been going to the designated State agencies in those States which have opted to administer the block grant October 1. These letters are intended to initiate a working relationship between the individual State agency and the appropriate HHS regional office. At the same time they provide specific information on items to be submitted to the Secretary before a State can begin to draw down funds.

On September 9 the Secretary decided that the Department will directly fund all eligible Indian tribes and tribal organizations who apply for the five block grants that provide for direct Indian funding, which includes the community services block grant.

Because the Department cannot set aside funds for Indians unless eligible tribes notify the Department of their intent to apply for direct funding, it was critical that the Secretary communicate his decision to Indian groups immediately and indicate that funding requests for fiscal year 1982 must be submitted immediately.

At the request of the administration for native Americans, one of Human Development Services' program offices, the National Congress of American Indians did a direct mailing to tribes on September 10 highlighting the community services block grant and noting the October 1st deadline for tribal notices of intent to apply.

This was followed by a mailgram on September 15, referencing the original mailout. On September 18 staff of the administration for native Americans began phoning each of the approximately 300 federally recognized and 35 State recognized tribes.

On September 22 the Secretary wrote to the eligible Indian tribes and organizations inviting them to review carefully the new block grant program, and if interested in direct funding to so indicate by fowarding a request to HHS by October 1.

The request will have the effect of holding funds available for the Indian tribe, pending receipt of their application.

I would like to cover one more item before I conclude. The Department is committed to the administration's policy of reducing or eliminating regulations. To that effect minimal regulations specifically applicable to the community services block grant have been developed, as well as a standard regulation for all block grants administered by HHS. This standard regulation will be very brief and deal primarily with financial management and due process issues.

This concludes my formal statement.

I would, however, like to note that at all times HHS has received excellent cooperation and assistance from the Community Services Administration employees in all of our efforts to plan for a smooth implementation of the community services block grant.

Though I am unable to answer your questions at this time I would be happy to appear before this committee at a later date to respond to inquiry in more depth.

Mr. WILLIAMS [presiding]. Thank you very much, Ms. Hawkes.

So that we do not have any misunderstanding as to the agreement between your department and this subcommittee, let me ask both the majority and minority counsel to comment on their understanding of any questions that would be offered.

Mr. RALEY. Thank you, Mr. Chairman.

I just wanted to clarify on behalf of staff that staff did not make an agreement that no questions would be asked. Ms. Hardy, who is the Assistant Secretary of OHDS had originally agreed to come. Late last week, about Friday, I was called by Mr. Tom Donnelly, with the legislative affairs branch, asking us to postpone the hearing totally until such time as Ms. Hardy could be here.

We told him we thought that would be improper since so many people from out of town had already been asked, and, of course, since this was the last day of CSA and might make having Mr. Ink come forward a little later, not only inconvenient, but perhaps impossible. At that point, OHDS suggested that they might not be able to appear.

Staff suggested to them and did not reach an agreement, but staff suggested that it would be more proper, perhaps, for them to come. And certainly they have had the privilege, as do all witnesses, of not answering questions they feel improper. And, of course, we all do know about the temporary restraining order.

I do want to clarify, though, that staff does not make agreements that members will not ask questions. I simply gave advice to them on how to appear. It is their choice of how they are presenting their testimony and how they choose to respond.

Ms. HAWKES. OK. Yes.

Mr. DEAN. That would also reflect my understanding of the agreement, and as Gordon said, any question that is asked that you feel is improper to respond to, you should just say so.

Ms. HAWKES. Thank you.

Mr. WILLIAMS. Ms. Hawkes, with that understanding let me ask you a couple of questions concerning block grant money for Indian tribes. Do I understand correctly that a specific sum of money has been set aside for use by Indians?

Ms. HAWKES. I am in a very difficult position because——

Mr. WILLIAMS. You do not know the answer to that?

Ms. HAWKES. No, I know the answer; I am really concerned about getting into areas that are the subject of litigation.

I will try to—would it be helpful if you ask questions and we submit written responses?

Mr. WILLIAMS. Well, the difficulty, of course, is we have Indian people and tribal leaders who want to know the answer to this, and your Department has given them a deadline which is upon us, and we need an answer.

Let me ask it this way, if there has been a specific amount of money set aside for use by Indians and by State could the following scenario develop? Take a State with four Indian tribes. Only one of the tribes applies for block grant money. Does that one tribe, if the grant is accepted and approved, receive all of the Indian money for that State?

Ms. HAWKES. No; I will try to deal strictly with the legislation and indicate to you what is in the legislation.

According to the statute, the allocation for an Indian tribe is based on that Indian tribe's share of a State's allocation. The Indian tribe will receive a share of the total State's allocation based on the ratio of eligible Indians served by the tribe to all eligible individuals within the State.

So it is not a set-aside from the total amount; it is a set-aside from the State allocation.

Mr. WILLIAMS. Thank you, Ms. Hawkes.

I have no further questions.

Does anyone have any questions?

Thank you very much. We appreciate your being here today.

Ms. HAWKES. Thank you.

Mr. CORRADA [presiding]. We will now proceed with the hearings.

Next we have a panel representing State and local programs: James H. Norman, chairperson, representing National Association of State Economic Opportunity Office Directors, and Edward Becks, president, National Community Action Agency Executive Directors Association, from Redwood, Calif.

Mr. Norman and Mr. Becks, we welcome you to these hearings today, and your full statements will be made part of the record of these proceedings, and you may proceed now with your testimony.

Mr. Norman.

[Prepared testimony of James H. Norman follows:]

PREPARED TESTIMONY OF JAMES H. NORMAN, CHAIRPERSON, NATIONAL ASSOCIATION OF STATE ECONOMIC OPPORTUNITY OFFICE DIRECTORS (NASEOOD)

Mr. Chairman and members of the committee, my name is James H. Norman and I am testifying this morning, in response to your request, as Chairperson of the National Association of State Economic Opportunity Office Directors (NASEOOD). Also, I am the Director of the Bureau of Community Services within the Michigan Department of Labor.

As you are aware, the Community Services Administration (and its predecessor, the Office of Economic Opportunity) have provided small grants to the states to operate State Economic Opportunity Offices (SEOOs) for the purpose of providing technical assistance to Community Action Agencies (CAAs) (and other CSA grantees) to assist such agencies in the areas of planning, resource mobilization, staff training, board training, program development, and so forth, to support their anti-poverty efforts. Grants to the SEOOs also assist such organizations to participate in the planning and coordination of various state programs of assistance to low-income citizens, and to advise the Governor regarding CSA grants and programs in his state. According to a recent assessment of SEOOs, done by Abt Associates, SEOOs have functioned very well in carrying out the responsibility assigned under Section 231 of the Economic Opportunity Act (EOA) of 1964, as amended.

Under the newly enacted Community Services Block Grant (CSBG), SEOOs are emerging as the offices responsible for administering the program in most states. As of last week, 35 states had filed notice of their intent to begin administering the program on October 1, 1981, and, with a few exceptions, it is expected that the remaining states will take over the responsibility on January 1, 1982.

You may recall that in my testimony before this subcommittee last April 28 on H.R. 3045, a bill to extend the EOA, our Association's testimony reflected the fact that SEOOs are state agencies, responsible to their Governors and legislatures

under state law, but are also strongly supportive of the programs which have been made possible by the EDA. At that time, I conveyed the Association's strong support for your efforts to extend the EOA, and at the same time expressed our interest in studying the concept of block grants as a way of continuing the EOA programs under responsible state administration.

Overall, our position has been that the key issue, in the controversy surrounding economic opportunity programs, is not simply block grants vs. catergorical programs, but whether the Nation intends to maintain its commitment to attack the causes of poverty. With such a commitment, the necessary legislation, and appropriations, the programs could be successfully administered at either the state or federal level, or by some combination of state and federal administration.

We believe that the CSBG Act is a reasonable compromise of the sharply conflicting positions expressed in this year's Congressional deliberations.

The CSBG Act maintains the federal commitment to fight poverty, yet it provides greatly increased flexibility in designing programs to suit the specific needs and desires of the various states and their communities. It allows the states to administer the program; yet, it holds the states accountable for how the funds are utilized; and it requires that the money will be used to help the poor, not just to support new bureaucracies, or expand bureaucracies, at the state level.

Your concern here today is with the termination of the Community Services Administration (CSA). Certainly, we deeply regret the termination of hundreds of fellow employees with whom we have worked closely on these programs for many years, both in regional and national offices. While we are familiar with the severe budget pressures contributing to the decision of the Administration and of Congress to close down CSA, we also recognize that even a full appropriation for the authorized level of the CSBG places the states in a position of being responsible for administering CSA's program with little more than half of CSA's funding.

It should be understood that the termination of CSA does not provide any financial benefit (of significance) to states. We simply inherit CSA's difficult assignment, with sharply reduced resources for inplementation.

We particiularly regret that there was inadequate planning for the termination of CSA. While we believe Dwight Ink has done an outstanding job in the brief time he has been the CSA Director, it is most unfortunate that the position was vacant until June 30 of this year and that no long-range planning was done for the transfer of CSA's responsibilities to the states, and to the Department of Health & Human Services, and for the absorption of dedicated career employees into federal or state positions.

It seems almost inconceivable that this massive transfer of responsibility—frequently described by Administration spokesmen as the only termination of a federal agency since World War II—was undertaken without any provision at all for the administrative costs (in either CSA or HHS) necessary to liquidate CSA's obligations to its employees and the obligations of local subgrantees.

We understand that a last-minute supplemental appropriation is now being initiated by Congress to provide termination benefits to CSA employees. As far as we can determine, no provision has yet been made for HHS administrative costs. HHS officials tell us they have been severely handicapped by their inability to set up staffing arrangements to administer the new block grant act.

Similarly, the states have been severely handicapped in not having any reliable information as to the funding for the program they are expected to assume. In effect, the states have been put in the position of taking over responsibility for federally funded agencies, whose funding expires October 1, without knowing how much money the states will have to fund these agencies and when the federal funds will be available.

These are serious problems which could have been avoided by even a basic level of advance planning, which should have involved the states, the Congress, and the federal agencies directly involved.

Having cited those serious problems, we do not wish to give the impression that the states, or the SEOOs, believe that it would be in any way helpful to delay or abort the transition to the CSBG program. As I stated, the act is soundly conceived, is administratively workable, and the only alternative available to outright termination of the program.

The states are ready, willing and able to take on these responsibilities, and have the capability of doing a first-rate job, provided the federal government will meet its responsibilities.

Many of the states have already completed the plans and preparations necessary to administering the program. They have met with Community Action Agencies (CAAs) and with other state and local agencies affected by the program. They have

worked out staffing plans and job descriptions. They have agreed on tentative allocations of funds. They are ready to implement the CSBG the minute Congress completes its part of the bargain and makes the funds available.

Most significantly, many of the states are already moving to correct serious shortcomings in the program which have not been addressed during the years of federal administration.

As I indicated earlier, SEOOs have strongly and consistently supported the programs funded under the EOA. Yet it is a fact that there have long been recognized shortcomings in those programs. For example, many states have substantial areas which are not served by any CSA-funded agency; some states have as many as half of their counties "un-CAPped" to use the jargon of the trade. This is going to be an extremely difficult problem to resolve, especially with sharply reduced funds, but many of the states are moving forthrightly to deal with the issue, hoping to extend coverage to more areas over a reasonable period of time.

There have also been shocking examples of unequal funding for agencies within states. Presumably, there were historical reasons why OEO and CSA funded some agencies generously, and others at far less than their poverty populations would seem to justify. In any event, the federal government managed to avoid facing up to this problem for years. The states are now beginning to deal with it through formulas which seek to be as equitable as possible and yet move toward a solution over a reasonable time.

States are also working to assure that CAA boards take a more active interest in the program of their agencies. As you know, there have been criticisms that some boards have served in name only, and that the staff has made most of the decisions. The states are seeking better management systems, innovative approaches to fighting poverty, closer coordination among the variety of state and local programs which help low-income people.

This is a healthy development, and it must be given time to work.

Funding, of course, is critical. CSA last year had an appropriation of more than $500 million and funded some 1600 grantees. For fiscal year 1982, Congress authorized $389 million, of which only about $354 million was to be allocated to the states. Deep as this cut is, the states accepted it in good faith and pledged to do the best possible job in stretching those limited funds to carry on the basic purposes of the EOA. Further cuts in that funding will make the assignment extremely difficult.

Rather than consider delaying the CSBG program or continuing to argue over federal vs. state administration, it seems obvious to us that Congress should get on with the job of making the funds available to match its earlier authorization. If you do that, we can assure you that the states will do a good job of administering the program—a job that we will be proud to stand up and account for in the next session of the Congress.

TESTIMONY OF JAMES H. NORMAN, CHAIRPERSON, NATIONAL ASSOCIATION OF STATE ECONOMIC OPPORTUNITY OFFICE DIRECTORS

Mr. NORMAN. Thank you, Mr. Chairman, members of the committee.

I am James Norman, chairperson of the National Association of State Economic Opportunity Office Directors, and also director of the bureau of community services in the Michigan Department of Labor.

We appreciate the opportunity to appear today to express our views on CSA termination.

As you are aware, State economic opportunity offices are those offices within State government that have received funds in the past under the authority of section 231 of the Economic Opportunity Act, for the purpose of providing training and technical assistance to CSA grantees, CAA's, and other entities within the State in the area of planning, resource mobilization, outreach, program planning, board and staff training and so forth, as well as coordinating State-level planning for antipoverty programs, providing

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advice to Governors on the causes and conditions of poverty within the State, and doing the same for the CSA director.

Under the newly enacted community services block grant SEOO's are emerging as the predominant State entities that are being designated by their Governors to administer the program.

I have some statistics, but Ms. Hawkes just gave you some updated statistics on the number that have applied to the administrative program as of October 1 and those that will opt in at some time later during the year.

I testified before this body in April, on H.R. 3045, a bill to extend and reauthorize the Economic Opportunity Act. I at that time expressed the association's support for the continuation of that act and at the same time expressed an openness to considering the possibility of continuing the program through a block grant approach if in fact certain issues were addressed, such as the continuance of the national policy and some targeting of those funds.

It has always been our position that the issue of continuing to serve the needs of the poor should not be simply an issue of block grants versus categorical programs, but one of trying to expatiate, in appropriate roles, the different levels of government in this country to address those needs.

We believe that the community services block grant is a reasonable compromise to the conflicting issues that have been addressed by the Congress in this session, and we believe that it gives the States a more proper and appropriate role than the States have had under the previous programs.

Now for the specific matter of CSA. First, we would like to point out that even if the appropriations were equal to the CSBG authorization, the States are placed in a position of being responsible for administering formerly administered CSA programs, with little more than half of the funding that CSA has in the current fiscal year.

Second, it should be understood that States do not significantly benefit from a community services block grant from a financial standpoint; we simply inherit the difficulties that CSA had previously been faced with, with sharply reduced resources to carry out a program.

We particularly regret that the amount of time that was necessary and available to plan for the termination of CSA was not available. We feel that Dwight Ink did an outstanding job during his tenure as CSA director, but it was unfortunate that that position was not filled until June 30 of this year. It seems almost inconceivable that such a massive transfer of responsibility from one Federal agency to another and from the Federal Government to State governments could have been undertaken without some advance provision at least for, say, the CSA employees. But we understand that such provisions are now included in a supplemental appropriation that is under consideration.

Similarly, the States have been handicapped in having any reliable information as to amount of funds that we are going to have to carry out this responsibility. Of course, we are aware that there is an authorization, but we are also aware of the fact that there may be additional reductions, given the considerations that are now being made.

There are likely to be numerous problems that will be faced by individual CAA's and individual States, and it is very difficult to predict what those problems will be. Undoubtedly some of them will be in the area of audit resolution, personnel separation, property, funding for limited purpose agencies, funding for migrants, funding for native Americans.

The other side of these problems, we do not wish to give the impression that States or the SEOO's believe that it would be in any way helpful to delay or abort the transition. Many of the States have already completed their plans and other preparations necessary to administer the new program.

Many States are already moving forward to deal with significant problems that have not been addressed adequately under the current funding process.

A couple of those problems are one of expanding services throughout the total geography of States, as you may be aware. In many States there are a lot of uncapped areas, that is, areas that have not been officially covered by CAA's.

Another problem that States are addressing is one of an unequal distribution of funding among grantees within a State. In some cases there are shocking examples of the disparity in funding from one grantee to another, without any relative relationship to the number of poor people that are being served, or other reasonable factors that should be considered in the formula.

We are moving to try to get boards more involved in the programs as well. That has been one of the critical things that has been said in several GAO reports and before the committees. I think that is quite important.

Now, the critical thing is funding. In the current year, as I alluded to before, CSA has about $541 million that has been used to fund some 1,600 grantees. For fiscal year 1982 we have an authorization of $389 million. Despite this difference, the States have pledged to use the funds as best as possible to carry out the purposes which originated in the Economic Opportunity Act and now are contained within the community services block grant.

If Congress gets on with the appropriation, to match the authorization, the States expect to do the kind of job that they can stand up and be proud of before you in the next session of Congress

Thank you.

Mr. CORRADA. We will now listen to the next witness in the panel before going to the question-and-answer period.

Mr. Becks.

[Prepared statement of Edward R. Becks follows:]

PREPARED STATEMENT OF EDWARD R. BECKS, PRESIDENT, NATIONAL COMMUNITY ACTION AGENCY, EXECUTIVE DIRECTORS ASSOCIATION

Mr. Chairman, members of the Sub-Committee on Human Resources. My name is Edward R. Becks. I am here representing the National Community Action Agency Executive Directors Association which represents over 900 agencies and about 165,000 employees providing services to over 20,000,000 low-income citizens.

First of all, Mr. Chairman and members of the Committee, I would like to begin my testimony by stating our sincere appreciation for this Committee's courageous efforts on behalf of low-income people and for your support of the Economic Opportunity Act.

On January 19, 1981, I was apprehensive about the future of the Community Services Administration as the President was taking the oath of office. Today, I am

here to testify before the Human Services Sub-Committee on the impact of the termination of CSA and the Economic Opportunity Act.

When I appeared before your Committee on April 28, 1981, I stated that the Nation needed to continue the National Commitment to poor people, even as there is a national commitment to the 55 miles per hour speed limit. Today marks the end of that National Commitment.

Notwithstanding the need for strong commitment at the National level through a strong Federal agency—Block Grants are a part of the American reality today.

Community Action Agencies are looking toward participation in the Community Services Block Grant and other Block Grants. As the President of NCAAEDA, it would be a great pleasure for me to say we are moving ahead and there is a resolution to the problem of transition to the Block Grant.

At the onset of the implementation of the Block Grant—many CAA's are uncertain of their future. Many large rural and urban CAA's face cut-off of funding today. Funding for CAA's is treated differently from region to region. There is a lack of uniformity as to period of funding beyond October 1. Lack of procedure for CAA transition from EOA to CSBG funding. These are some of the many unanswered questions that plague the CAA's and hamper orderly transition to the Block Grant. CAA's are uncertain of their future and cannot effectively plan, serve and advocate for the poor.

We, in community action, respectfully request this committee, whose members have always taken a leadership role, to continue to assist us in helping to find resolutions to these unanswered questions.

UNANSWERED QUESTION

It is my understanding that as of Friday, September 23, that thirty (30) states have given indication to HHS that they wish to administer the CSBG as of October 1. But only four (4) of these states have actually submitted state plans. This leaves forty-six (46) states without program design and administrative guidelines to meet the needs of the poor or to fulfill the requirements of the Block Grant.

How will HHS address the states which have applied for Block Grant funds without the required state plan? This question is yet unanswered. And, on what basis will HHS fund CAA's in states which have indicated that they do not intend to pick up the Block Grant?

Today, September 30, 1981, approximately one-third of the Nations largest CAA's are due to lose their funding, what are some of the characteristics of those large CAA areas. The most striking increases in big-city poverty have been in the northeastern and mid-western cities especially hard hit by regional economic decline—New York's poverty rate increased by 25 percent between the end of the 1960's and the end of the 1970's. Philadelphia's poverty rate increased 38 percent in the same period and Chicago's by 47 percent in the same period. Nationwide, needy cities, those suffering economic and population decline averaged an increase of almost one-third in rates of poverty between the end of the 1960's and the end of the 1970's poverty has remained relatively stable even in those cities with strong growth in jobs and income.

Economic growth has had little impact on poverty even in sunbelt cities. The areas most likely to lose funds are the areas of the truly needy. There has been no assurance from either Health and Human Services or the states' Governors that funds would get to CAA's in time to insure continued operation of their programs. In many instances this would jeopardize the existence of social services and in some instances the existence of the community action agency. In any case, the poor and the truly needy will suffer undue hardship. Where will these people turn? Where will these agencies receive their funding?

Now pending before Congress are crucial choices concerning the allocation and appropriations to all the different agencies and departments. Even under the best of all possibilities, the appropriations level for the CSBG are too low. It is anticipated that many CAP's will be put out of business long before the authority for this program expires.

Again, who will be responsible for the loss of these agencies?

On a practical level, who will pay for the close-out costs? With the interruption of funding and the death of local agencies who will be responsible for the close-out cost in areas of employees sick/annual leave, final grantee audits, grantee on-site closeout and oversight, and CSA employee annual leave and severance pay? Will the states assume this responsibility or HHS?

As you know, the House Appropriations committee is recommending $362 million for the community services block grant. The Senate labor/HHS Education Appropri-

ations Subcommittee has recommended $250 million in appropriations for fiscal year 1982. Although yet unclear, and despite the administration's assurances of a 12-percent, across-the-board reduction in non-entitlement and non-defense programs, we fear the administration will recommend zero funding for this program.

Currently, many CAA's are operating under CSA grants that exceed that fiscal year. As of yet, there has been no guidelines issued that would instruct CAA's on monitoring and reporting on these grants. Beyond today, it is uncertain to whom and by what process we will use to account for these programs and activities.

Presently, HHS is under court injunction that prohibits the Secretary from hiring non-CSA employees. We support the CSA employees to the fullest and empathize with their plight. The reluctance of administration to hire CSA employees, even on a temporary basis, could lead to interruptions in the continuity of the programs.

Given the situation that the Community Services Block Grant is a compromise between the administration's social services Block Grant and Education & Labor Committee's Economic Opportunity Act, it lacks the full support of any of the parties involved. We have come to the realization that we must accept the Community Service Block Grant and fight of strengthen its provisions that best insure continued services to the needy. With the administration repeatedly stating that it will again attempt to propose legislation that would give Governors broader discretion in a wider scope Block Grant, we must broaden our support in order to fight off attacks on our programs. To do this we must make sincere efforts to make this Block Grant successful.

At this point in my testimony, I am offering recommendations that the committee may wish to take into account at the present time. I believe that these recommendations can help to insure an effective CSBG.

We are all aware that in the past the Community Services Administration has proven to be an effective laboratory for designing programs that address the changing perspectives of poverty. CSA, as a laboratory, has a proud history. The Head Start program, the Follow-Through program, the Low-Income Weatherization program, and Crisis Intervention all were conceived at CSA/OEO.

The Nation's poor would suffer a great loss if an innovative forum for addressing the needs of the poor was lost forever. Therefore, some form of national demonstration projects should be continued through this Block Grant.

There is a need to maintain a linkage between, the CAA's within the states, within the regions and throughout the country. This linkage is necessary so that coordination among CAA's as well as, with other groups within the states can continue; so that some type of monitoring can be performed, and; so that emergency intervention on a national level (like the heat-relief program of the summer of 1979) capability be maintained. Therefore, state and national organizations should be continued.

Lastly, I wish to point out that it would also be a great loss if the CSA library, its studies and findings, that make up the history of this nation's anti-poverty commitment was not maintained. We can surely continue to learn from these sources and utilize its information.

We cannot foresee all of the difficulties that the CAA's will be facing. We will therefore need to come back before this Committee again suggestions that will make the legislation more effective, that will make the program more responsive and that will insure the involvement of the poor in determining their own future.

TESTIMONY OF EDWARD R. BECKS, PRESIDENT, NATIONAL COMMUNITY ACTION AGENCY, EXECUTIVE DIRECTORS ASSOCIATION, REDWOOD, CALIF.

Mr. BECKS. Mr. Chairman, members of the committee.

My name is Edward R. Becks. I am here representing the National Community Action Agency Executive Directors Association, with some 900 member agencies, with about 165,000 staff members, providing some services to over 20 million people on a regular basis.

First of all, Mr. Chairman, it is an honor for me to be here, and I would like to thank the committee for its continued commitment to the poor people of the country, notwithstanding the fact that we are here today witnessing the termination of the Economic Opportunity Act and the termination of CSA.

We are aware of the fact and have full understanding of the fact that the truly needy will experience greater problems as we enter into this new program year. There are questions of food, health, housing, energy and the poor quality of life will be greatly exacerbated by the cut in funds.

And I would like to preface this with the understanding that when we talk about the community services block grant sometimes we forget that we are only talking about one line item of CSA programs which has been greatly reduced, that the Community Action agencies operating in the field will be expected to continue their program operations to continue food and nutrition programs, to continue senior opportunities in other programs, without actually having any funding. And that reduced funding essentially amounts to the overhead operations, the planning and fiscal operations, administration, and that kind of activity. I think that this should be appreciated.

The Community Action agencies are all concerned about a number of issues, and we are concerned about what will happen at the close of business today, and how much funds will CSA actually have on hand.

Mr. Ink gave us some estimate, but then he indicated that the estimate was not a stable estimate, it was unclear because of the actual process and that that remaining money would go to offset the determination process, which would be about $30 million. But we are concerned about that particular process.

But there are many unanswered questions that the Community Action agencies will have to deal with, come tomorrow.

As already indicated, the large urban Community Action agencies will be facing termination of funds effective today, and to this moment I am unaware of any transition plan that will allow continuity of funding to those large agencies.

And those large agencies are located in the Northeast and the Midwest and represent many of the areas that contain much of the population that is described as the truly needy.

And conditions will be greatly exacerbated by the termination of CSA today.

Many of the agencies will be faced with the question of whether to continue operations anticipating an orderly flow of funds at some date in the future or whether to retrench at this time, based on past experience, so that whatever the exposure rate will be it will be limited by activities taken to guarantee against the ultimate exposure.

And this process alone will tend to cause some disruption in the various communities throughout the country. And I know that the subcommittee is greatly concerned about this issue, and I simply wanted to highlight that that disruption is both psychological and economic in nature.

And, to the best of my knowledge there is no process on hand to address this issue.

Ms. Hawkes of HHS indicated that 37 States have indicated that they will be prepared to go with the block grant come the first of October. But I think that part of the important information is that four of those block grants have submitted plans, and then if we are dealing with the remainder how will they be treated by HHS and

how will that impact those agencies whose funding day will end today? These are questions that we are concerned about.

And, of course, as well as the question of those who have actually refused to respond.

I do not intend to go over my total testimony. I think that the issues, mainly the issues that I was concerned about have been raised and have been responded to, but I would like to again put some emphasis on the funding level. We are either talking about $362 million or $250 million or $362 million reduced by 12 percent across-the-board or a possible zero budget funding from the administration.

Of course if we get the zero budget from the administration that clearly defines the commitment of the administration to the poor people of the country, and I believe that Congressman Williams' comments would be clear, that this is in fact a war against poor people rather than a war on poverty.

I spent, coming from California, I spent some time trying to find in myself what could we ask this committee to do considering the state of either the refunding process, considering the fact that we have no immediate legislative alternatives, and it has become very difficult at this time, knowing that part of what we are doing here today is ceremonial and we are simply saying goodbye to CSA and goodbye to a national commitment to poor people, with the hope that State and local governments will pick up that commitment, but without any real partnership between the Federal Government and the State and local governments and without any transfer of adequate funds to pick up that partnership.

So essentially here this is a funeral process and it is difficult for me to reach outside of this process and deal with the issues that we have to deal with, which are the hopes for the future.

Congressman, I have indicated earlier that the Federal Government does have a strong commitment to poor people, and even though it is not borne out by the legislation I hope that that commitment is much deeper than the acts that we see at this time, because the ravages of disease, ignorance, poverty and oppression will be upon the people even greater than it has been in the past. And without any orderly approach to deal with the process many people will unduly suffer because of either administrative tendencies or because of lack of proper transition in programs that already exist.

So I hope that this committee, having the remarkable history that it has, will do whatever is possible to continue some oversight to see that we do not come back here at some time in the future attempting to begin this process again, hoping that we can at least go from where we are, even into an uncertain future, with some ideas that the welfare and happiness of the American people is in fact an important issue and should be high on the priority list of objectives of the Federal Government as well as the State and local government.

There was some comment earlier about what will happen to the library. It is hoped that the library will be available because this information will be needed in the future to decide what was done well and how we can implement that at some later date.

Also CSA and OEO were noted for innovative programs, the idea of developing programs, spinning those off and experimenting

again with new programs, letting some die and having some continue. We hope that somewhere in the Federal bureaucracy that there will be a place for this kind of experimentation.

And I think that with the demise of the National Office there is a great need for some kind of Federal network, some kind of process to bring together these experiences and problems that will be experienced by the agencies throughout the country.

I hope that there will be some concern given to also, groups like our national association, other national associations and organizations as well as State and local organizations.

I am at a loss to really say much at this time, but I hope that the committee will keep the doors open and the process open to the extent that we may appear before you again at some later date in dealing with many of the problems and issues that we are going to find will arise as we try to implement the CSBG.

Again, I would like to thank you for the Cap Directors and for the poor- and low-income people that we represent for this opportunity.

Mr. CORRADA. Thank you, Mr. Becks.

I would like to ask Mr. Norman, in your State of Michigan, could you tell us what the situation is right now in terms of how this transition is going and how it is working out?

Mr. NORMAN. At the time that the block grants seemed to be—I guess the path of the future more or less—we immediately went into a planning mode with our Community Action agencies and other CSA grantees within the State. The first things that we did were to more or less establish some priorities with them. Given the inevitable problems that come about in trying to shift from one kind of funding process to another, we decided to in a sense limit the things that we would try to achieve in the first year, really looking at the whole of fiscal year 1982 as a transition period.

We made some agreements on what changes would be made in the allocation schedule now, which ones will be delayed for future implementation. We made some decisions about the adoption of current CSA regulations and State guidelines for State programs that we fund and the use of those while we more or less decide which of the CSA regulations we want to keep for the long-range future.

We made some decisions about the program guidelines that they would have to follow, in terms of what activities would be supported, and so we have worked with them to more or less structure the plan that we prepared.

The funding problem that will exist in many States, as of tomorrow, is being dealt with in Michigan by a plan to utilize State funds for whatever period is necessary, hopefully less than 90 days, until such time that all the transactions have taken place with HHS to provide for a letter of credit that we can draw down upon.

There is still uncertainty about funding for migrants. As you know, under the authorization 90 percent of the total can be used by the HHS Secretary for rural housing, FM development, migrant programs, and so forth. So our approach in Michigan has been to include migrant funding in our State plan, with the proviso that it will be used in the event that HHS will now assume that responsibility. So one way or the other the matter is going to get funded.

When it comes to native Americans, that is probably a little more confusing at this point because, though native American organizations can apply to HHS to receive funds directly, it was indicated that those notices only went out on September 27, and so some of the people are just really figuring out what it is that that says do. Again we have done the same. We have included funds for Indians in our Michigan plan. In the event that the issue of whether HHS is going to do it doesn't get straight, there would not be a hardship placed upon that particular segment of the population.

Does that answer your question?

Mr. CORRADA. Basically, I wanted to know how things were moving there.

Now, in your statement you indicate the States are ready, willing, and able to take on these responsibilities, and they do have the capability of doing a first-rate job. But you further indicate that that is provided that the Federal Government will meet its responsibilities.

In your mind, based on your experience, and the position you have held, which are the basic responsibilities that the Federal Government should meet in terms of the coordination with the State and local governments in dealing with the poverty problems that these programs were supposed to address?

Mr. NORMAN. Well, I think that in terms of looking at the Federal Government as a federation of the States, that the collective viewpoints that are brought to bear on various problems from different parts of the country should reflect themselves in a synthesis process that in a sense identifies something as a national problem or as not a national problem.

Certainly, I think we have to identify that poverty is a continuing national problem. With that recognition then, I believe that it is the responsibility of the Federal Government to provide some direction and some resources to the States that allows the States to then determine how to best meet the needs that exist within their borders. You know, the problems that exist in Texas are different from the problems that exist in Michigan, that exist in New York.

So, therefore, while the States should have the greatest degree of latitude and flexibility, again to decide what are the priority problems within the State, how will we go about addressing them, I believe the Federal Government has a responsibility to insure that that kind of process goes on at the State level and that, in fact, addressing these as important does occur.

You know, there is a list of things in the Act that says what the funds will be used for, and the Federal Government can take an approach of well, it does not matter, or they can take the approach in a more aggressive sense and say that these things are legislated and therefore these things must be done, without telling States how to do it, but having some kind of system to make sure that it is done, so that the act does not become just a piece of paper but it becomes a meaningful document as the Economic Opportunity Act has been.

Mr. CORRADA. I would like Mr. Becks to address that question as well.

What, in your mind, should be the minimum Federal responsibilities in terms of its commitment in dealing with the problems of poverty addressed by CSA?

Mr. BECKS. Mr. Chairman, I think that the minimum responsibility would, of course, be the funding level that has some reliability, and of course some opportunity to have a planning and transition process, and it is up on us at the moment, so we were denied, really, the planning and transition process to get from the categorical funding to the CSBG.

I know that in my State, in California, nothing has been done in that area at all, and it is very likely that the Governor will not get involved with the community services block grant. So there is a great deal of lack of uniformity as far as I can see from the standpoint of the agencies throughout the country.

We would like to see at that point some Federal intervention to make sure that there is some uniformity so that people can anticipate an orderly process which they can participate with and anticipate how funding will go and who will actually be funded.

Now those are very minimum, but those are not clear at this time.

Mr. CORRADA. Let me also ask you, Mr. Becks, are there, to your knowledge, Community Action agencies that are threatened with possible closing as a result of this transition?

Mr. BECKS. To my knowledge a few have closed down. I have gotten notice that a few felt that the termination of CSA and no other commitment meant that they would actually terminate, and I guess the point that has not really arisen here at the moment is that the competition, the thought of competition, it has not been, of course, materialized. But the thought of competition for the dollars at the local level has been very traumatic as an idea for many Community Action Agencies.

And if they are to continue—they cannot actually continue their operations, even if they receive a full pro rata share of the CSBG because they are doing other programs under the aegis of CSA that will not be covered by these funds.

So many CAA's, especially small ones, are having very serious problems, and the large ones are having the problem of the continuity and the availability of funds come October 1.

Mr. CORRADA. Thank you.

Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

Mr. Norman, I understand from your testimony that during this past fiscal year and the years before it the State Economic Opportunity Offices were involved in providing technical assistance to the CAA's, assisting those agencies in planning and staff training, and board training, program development, provided a great deal of support in antipoverty efforts. Is not that an example of the significant State control of the antipoverty efforts of the past?

Mr. NORMAN. I think that is an example of the significant kinds of responsibilities the States have been involved in. But, having been involved in those responsibilities, I guess the most general thing I can say is that has not always been easy.

In trying to carry out the responsibility, the problems that were faced were problems such as undergoing continuous reductions that

were initiated by CSA to in a sense remove an effective role for the States. There were often conflicts between States and the CSA counterparts relative to the terminations about individual agencies within the State, the fight to have the State role recognized by CSA was a continuing struggle.

The reason why the APT study, the APT Associates group out of Cambridge was put under contract, was because of the fact that somehow the National CSA never seemed to feel comfortable that they had a handle on what the States were doing. So we always felt that we were doing much more than they were willing to admit, and so the report came out in July and says that a lot of those things are being done, and unfortunately it doesn't have an opportunity now to work under that system. But the direct answer is that that those things have been done in most States. It has not been something that has been coached by CSA; in some cases there are some that were stymied by the organization, and under this arrangement we do not have that problem to contend with, we don't think.

Mr. WILLIAMS. Was cooperation and coordination between CSA and the various State agencies improving through the years?

Mr. NORMAN. No; I would say that it was rapidly deteriorating. That is from my point of view. If we go back, say, before 1970 when the grants to States were made directly from headquarters to the States, then there was much more of a collegial relationship, I should say, between States and regional offices. Then when someone told us in 1974 that regional offices would be eliminated and their responsibilities would be shifted to the States——

Mr. WILLIAMS. Who was that someone?

Mr. NORMAN. That was Albert Quie, former Representative Quie from Minnesota.

He recommended an amendment that did not pass. That in itself, should I say, started some additional bad frictions between regional offices and States, and then the process started in fiscal year 1977, or 1978, of reducing the amount in the CSA budget for the States from $12 million to $7.5 million to $3.75 million, and it was a battle in each of those years to keep it from being zero, because there was not a recognition that the State had any role.

The reaction we would often get would be that, well, since States have surpluses, States should be kicking in more money to carry out the role that they think they ought to perform. But, of course, the aspect of the States having surpluses was sort of short-lived and no longer exists, particularly in probably the Northeast and Western States.

Mr. WILLIAMS. Thank you.

Mr. Becks, in your judgment, how will the States manage to implement the safety net, given the lack of central authority over those States, and the 25-percent reduction in funds?

Mr. BECKS. I would like to say first of all I think that the safety net is a mythical concept, and as the money is reduced it certainly allows a lesser ability to address the truly needy, the problems of the truly needy. And I guess, in listening to my colleague, Mr. Norman, and trying to think this through, the States tend to respond to these programs differently.

Now just yesterday the State of California upgraded the State office and gave it, you know, "cabinet" ranking, so to speak on the one hand. On the other hand the Governor has not agreed that he will participate with the block grant.

So it is very difficult to see how this process will actually come together at the local level, where the client population will be served or just to save the program. I think a lot of this, at this point, is very unclear.

And if I talked to CAP Directors throughout the country we find that the relationships are different in different areas. So we do not have a really uniform approach to this at this time, but I find in my own experience in the last few years that the State office has been easier to work with and has done many, many things in terms of helping local Community Action agencies develop resources to deal with the problems of the truly needy, provided that those resources were there.

As you know in the State of California, with proposition 13, many of the local jurisdictions cut out human services programs. In my own county, a very wealthy county, as of June 13, 1978, they gave the human services or Community Action-type programs a zero budget. So we are dealing with a very mixed bag of things without an overall Federal mandate.

Mr. WILLIAMS. As you both know, there is a unanimity of opinion here in the Congress, and I think throughout the country, that this country ought to move toward a balanced Federal budget, so I do not think that that is the contentious issue. Rather, the issue is where we put limited financial resources.

Since I have been in Congress I have consistently voted for the various administrations' defense budgets. I note that this President's defense budget will call for the expenditure of $608,000 a minute for the next 5 years. We have been here 2 hours looking at the past and the future of the war on poverty, and during that time under the President's projected defense spending, the Defense Department has spent one-fifth of the entire budget that we are talking about for this brand of the war on poverty. Before 9 hours have passed today, the Defense Department will have spent all of the money that we are talking about here today. I think that puts it in a proper perspective.

When I said earlier that I thought that we had moved from a war on poverty to a war on the poor, I mean that in 9 hours the Defense Department will spend all of the money that we were talking about for this part of the war on poverty. I mean that we protect the two-martini lunches while we substitute catsup for a vegetable for poor children in this country. And there are a great many other examples. I think the writing of history is going to be pretty clear about these times.

Let me hasten to say that I have joined many of my colleagues these past few years in saying that the State should have a greater role in determining where the money, the Federal money is used, and a role in defining and designing programs for the use of those dollars. None of us disagree with that movement. But we do disagree with the, sea change which has taken place with regard to the Federal Government's commitment of a quarter of a century now to try and end poverty in this country.

Thank you, Mr. Chairman.

Mr. CORRADA. Thank you, Mr. Williams.

I will now recognize the counsel to the minority for some questions. Mr. Dean.

Mr. DEAN. Thank you. I just have a couple of very quick questions.

Some concerns have been raised by some groups regarding the grandfather clause in the enabling legislation for the community services block grant. That clause restricting funding to "eligible entities," which are defined basically as existing Community Action agencies or programs. The entities limited purpose agencies, or LPA's, are concerned about the clause in that they are excluded by it. I was wondering if both of you could comment on that, if you are familiar with what I am talking about—whether Congress should reconsider the amendment and possibly take it out of the community services block grant.

Mr. BECKS. I would like to say that I think that the grandfather clause is very important to contain the continuity that Community Action agencies have in the various communities throughout the country. Without that, the scramble that I had mentioned earlier would be there and we would find that we would simply have increased the base of organizations participating without having increased the funds.

Mr. DEAN. Do you see that resulting in some existing CSA grantees not being able to get funds; do you see that as a possibility or do you think they will be able to tap into the 5 percent?

Mr. BECKS. I think that some of them will not be able to get grants, but I do not think that many of those organizations were funded from these particular funds in the first place. We have to look at the other pieces of CSA that were spun off in other areas, to decide how each agency or each operation in a State or local jurisdiction links into those Federal funds. It is not through that particular section.

Mr. DEAN. If the administration does not fund the Secretary's discretionary pool, would your position on this be the same?

Mr. BECKS. It would be the same; yes.

Mr. Norman, could you comment?

Mr. NORMAN. Yes. I'd like to, just from the standpoint of a technical amendment that is pending, to correct an error that was made at the time the bill was passed, that restricted 90 percent of the funds that a State would get, to CAA's, Community Action programs, or migrant seasonal farm worker organizations. I guess the reference to section 210 was sort of limited to those agencies that receive section 221 funding. And so that means that in some cases LPA's or limited purpose agencies that had served in place of a CAP, particularly in some of our Western States, would not be able to be considered.

Our organization has gone on record as supporting the technical amendment that would clarify that technical problem with emphasis being on those LPA's that have served in lieu of CAA's. But not to, in a sense, support without some reservations, because certainly, if there is a requirement that every agency that had gotten funding before it gets it, when all of the funds that were previously

made available are not part of the base for the States getting the money, we would not support that position.

If there is no discretionary fund that the HHS Secretary holds to make grants to migrants and native Americans and so forth, then our position is that it should be done out of some discretionary part at the State level.

Mr. DEAN. OK. Let me ask this. Do you find that your people are getting good cooperation from the Department of Health and Human Services in terms of information about the CAP network, if it is not already existent at the State level?

Mr. NORMAN. Well, up to tomorrow, it has really been, you know, CSA, and that has worked well in most parts of the country as far as I am aware of. Whether or not the cooperation from HHS will be there is something to be seen. We expect that it will be. There are a lot of relationships now between CSA grantees and HHS for various programs, and we expect a good relationship as has existed in the past.

Mr. DEAN. OK.

Do you see a prospect for State governments filling the gap resulting from reduced Federal spending, or do you think now our antipoverty efforts are going to be a low priority in the State governments?

Mr. BECKS. I do not see any immediate filling of gaps. I think that the problem will be worsened considerably, before either State or local jurisdictions will tend to expend more money. I think that most State and local governments are already strapped, with more costs than they can bear, and also with, I guess at least 34 of the States, if not more, have some limitation on taxation. There is a whole structure system that is going to disallow any mobility to close the gap. I just do not believe that it will be readily picked up.

Mr. DEAN. This is my final question.

Do you find that the CAP directors are being effective in letting their needs and problems be known to the State governments, or is there, because it is a switch in the responsibility for the program, a difficult transition? Are they satisfied that their needs are being heard at the State level?

Mr. BECKS. Again, to talk about that as if it is something quite uniform is very difficult to do. I find that in many cases the Community Action agencies, through their associations, have been able to work with the States to get legislation in place to make sure that there is a smooth transition and there is understanding as to how to deal with the problems in the future.

In some other States there are no activities at all.

So I would like to say that I would like to come here and say, yes, you know, all the problems are resolved. But I cannot really say that.

Mr. NORMAN. I guess, as Ed has said, the most important thing to say in response to that question is that whether States will fill in the gaps between the need and the amount of reduced Federal funding that will be received will be very individualized. It will depend in part upon the history of Community Action agencies in a given State. It will depend upon the relationships that those CAA's have been able to develop with their local municipalities and coun-

ties and with their State legislatures. It will depend upon the fiscal condition within a State.

As you are aware, the State of Michigan—I don't know whether the Governor would like me to say this, but I think it is kind of humorous—is supposed to be the Chrysler of State government. We have, you know, a very high unemployment rate; we are connected to the auto industry very closely. As you know, with high interest rates, people are not buying cars, and so we have some serious fiscal problems we are facing, and I think the State has been considered to be a progressive State in addressing its human needs.

But we are at a point now where some expenditures that may have philosophical support may not have dollar support. So I think the reaction of the various States to the decreased resources will vary quite a bit.

Mr. DEAN. Thank you.

Mr. CORRADA. Thank you, both Mr. Norman and Mr. Becks, for your testimony today and answering our questions.

I certainly look forward to this subcommittee and the full Education and Labor Committee keeping its strong oversight responsibility, and as this transition goes on and after the demise of CSA and as the block grant is implemented at the State level, we should certainly continue to address these issues, look at how these new experiments are working and, of course, providing a forum for the discussion of what needs to be done.

It is really a pity that today, because of the demise of CSA, we are seeing in this war against poverty, a casualty, but not the kind of casualty that we would like to see in the war against poverty. The casualties in the war against poverty are not to be Federal agencies that are committed to helping resolving the problems, the true casualties, not to be ignorance or to be crumbling tenements, or to be economic stagnation in impoverished areas in our Nation. And with the death and termination of CSA tonight there is a sense of this being some kind of a wake or funeral.

But let us not forget that wakes and funerals historically have provided motivation for people to keep on doing their job, meeting their responsibilities in terms of efforts, to eradicate poverty in this case. And while we are gloomy in the sense of seeing the termination of CSA I think that obviously our energies will continue to be directed toward the fundamental effort here, which is to bring all the people of this Nation out of poverty through their own help and resources, and with the help and resources of the communities, at the local, State, and Federal levels.

So the war against poverty will go on, we will lament this casualty on the wrong side, but we will keep it going. And within our democratic framework of government, I hope that perhaps not too late we will see some sort of resurrection, not of CSA but certainly of the commitment of the Federal Government to fight poverty in this Nation.

Thank you very much.

We now have our last witness for the day, Love Johnson, president, National Council of CSA Locals, from Dallas, Tex.

We welcome you, Mr. Johnson to these hearings, and the written statement that you have submitted will be made part of the record, and you may now proceed.

[Prepared statement of Love B. Johnson follows:]

PREPARED STATEMENT OF LOVE B. JOHNSON, PRESIDENT, NATIONAL COUNCIL OF CSA LOCALS

Mr. Chairman, my name is Love B. Johnson. I am president of the National Council of CSA Locals—America Federation of Government Employees—AFL-CIO which represents the interest of all bargaining unit employees within the Community Services Administration. Although we are sadden by the abolition of our agency, our overriding concern has been and continues to be the future of the federal government's commitment to helping the "truly needy" in this county. Although President Reagan says that poverty programs and other social programs do not work, I beg to differ. During the seventeen years of the existence of OEO/CSA the following are a few of the many things which have been accomplished:

(1) The number of people below the poverty level was reduced 25 percent during the late 1960's and has continued to be stable at about 25 million people since the 1970's.

(2) The poverty program made it acceptable for there to be community participation in the formulation of local plans such as community development funds and revenue sharing programs.

(3) The poverty program encouraged maximum participation of the program participants in the planning operation, and evaluation of the poverty program.

(4) The war on poverty program served as the Federal Government's commitment and recognition that poverty is a national problem.

(5) The war on poverty symbolized to millions of Americans that this Federal Government was committed to bringing the low income and the hopeless into the mainstream of the American way of life.

A recent poll by Newsweek shows that the majority of Americans now perceive the Reagan Administration's programs and initiatives as being designed to benefit the rich and the wealthy and hurt the poor and lower middle income people. The President and the Congress are missing an excellent opportunity to change that perception by creating a federal entity similar to CSA to serve as the visible centerpiece of the Administration's safety net program for the truly needy. We contend that the backing away from antipoverty efforts that pervades the present political discussion will result in a substantial increase in the number of poor, as those who hover just about the poverty level will sink into utter hopelessness. The results are predictable—more crime, physical and psychological illness, broken families, racial division and the potential for violence.

Mr. Chairman, the Economic Opportunity Act provided visible and identifiable programs for the poor at all levels: CSA at the Federal level; SEOOs at the state level and CAAs and CDCs at the local level. These agencies including the Community Services Administration have served valuable and important functions as representatives of the poor and providers of constructive and productive programs. They have been instrumental in influencing the allocation of local, State, and Federal resources to social and developmental programs that promote economic self-sufficiency for the poor.

While there may be differing views about the solution to the problems of poverty, the National Council of CSA Locals hopes that this country must never return to its earlier apathy about the plight of the poor. Over the past 17 years, five U.S. Presidents, both Democrats and Republicans, have repeatedly and steadfastly urged that there be a strong and effective Federal agency representing the poor. We still believe that the responsibility for representation on behalf of the needs of the poor still exists, and it must be done at the Federal level as well as at other levels of government.

Our major concern about the Community Services Block Grant is that the Administration and the Congress have not permitted enough time for a smooth and orderly transition from categorical funding to State block grants. As of last Friday, September 25, 1981, thirty (30) states had notified HHS that they were opting into the Community Services Block Grant program on October 1, 1981, however only four (4) of these states had submitted applications necessary for funding of their programs. We agree with Gov. Richard Snelling of Vermont, a conservative Republican and Chairman of the National Governors' Association, that the Reagan cuts are coming too fast, with too little preparation. The Reagan Administration has failed to provide an orderly and professional close-out of the Community Services Administration which would have assured a smooth transition for CSA grantees and CSA employees. This is not meant as any criticism of the CSA Director and his staff because Mr. Ink and his staff have been essentially powerless in effecting funds or policies

which would have permitted an orderly and professional close-out of the agency's programs and staff.

When Mr. Ink joined the agency earlier this year he came with a well-thought-out game plan to close out the programs operated by CSA. However, the action of the Congress to place the Director of OMB as the Director of CSA for transition purposes effectively made Mr. Ink's job impossible to secure an orderly phase out of the CSA grantees and staffs. The Omnibus Budget Reconciliation Act of 1981 left Mr. Ink as only a figurehead in his agency while the true power for all decisions resided in OMB which had little time to handle effectively a close-out of a $500 million program when OMB was concerned about finding ways to cut billions more in other programs. Thus OMB's lack of a well thought out plan resulted in (1) grantees being short-funded and being thrown into a crisis situation of having no money to continue until the block grant program is implemented; (2) CSA employees not having available in a timely manner their severance pay and accrued annual leave mandated by law; (3) little successful effort to place CSA employees in public and private sector jobs; (4) lack a of plan to transfer CSA employees to HHS to carry out the continuing CAA programs which total over $300 million in grants awarded prior to October 1, 1981.

It is the Union's contention and we have filed a lawsuit to prove this contention that the Congress has mandated for the time being, the continuation of the programs in place. As stated in Federal Judge John G. Penn's granting of the Union's request for a temporary restraining order, ". . . Indeed, the reference contained in the Act that provisions be made for the transfer or other disposition of personnel" suggests that a transfer of personnel was contemplated by Congress. See Budget Act section 682(e). If this is the case, if CSA employees are not transferred immediately to HHS, then irreparable harm and injury to the CAA programs will result around the country. The nature of the programs is and has always been such that it has required team work review, extensive monitoring, extensive knowledge of grantee performance over a period of time, intimate knowledge of local conditions and local problems and the ability to bring to bear diverse specializations to provide adequate review of different programmatic components of an application. An application may cover such diverse areas of expertise simultaneously as solar energy, day care, nutrition, economic development, transportation, elderly needs, and employment training. The CAA's also require an extraordinary sensitivity and awareness of issues bearing on cultural pluralism, regional and ethnic styles in order to effectively communicate with diverse groups of grantees. Therefore, those responsible for making decisions on grants, monitoring grantees and providing assistance to grantees require a diversity of specialization and a capacity to interpret Federal mandates and policies to meet diverse local conditions. The Union believes that no other Federal agency, including HHS possesses the personnel qualified to effectively and efficiently address the issues and concerns of the "truly needy." The poor handling of the transition by OMB is bringing utter chaos to grantees, elected officials, and volunteers at the local level, not to mention injury to the beneficiaries and will also frustrate Federal policy and subvert the Congressional mandate.

For the benefit of the close to 25 million Americans who remain in poverty, and the protection of taxpayers who have invested in effective programs to assist the poor over the past seventeen years, qualified and experienced personnel are indispensable in the administration and monitoring of CSA-developed programs.

However, the Reagan Administration through OMB seems simply set on getting rid of the Community Services Block Grant program by neglect and inattention. What is going to happen to CAA programs across the country on October 1? Will there be a staff at HHS to quickly implement the programs to grantees not under the state program to insure no disruption of services to beneficiaries? Will the HHS staffs have the expertise and understanding of CAA operations to properly monitor their operations?

Today is September 30, one day before October 1. These questions are yet to be answered by OMB or HHS. This lack of information clearly demonstrates that the CSA transition to HHS has been haphazard and poorly planned. Enough time has not been given to CSA, HHS, and the States to plan the transition in an orderly and professional manner worthy of the Federal Government.

CSA employees along with the grantees have suffered the brunt of this poor planning for the transition. The employees have known that CSA was being abolished only since August 8, 1981. Imagine learning that your career and your future may be terminated in less than 60 days. Faced with that kind of bleak future, our employees sought to do everything possible to insure that our grantees would not suffer needlessly during the transition to the States block grant program. They continued to review and approve applications for CSA programs and worked with

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grantees to establish positive relationships to the States. These dedicated Federal employees have had very difficult times in finding other jobs in both the private and public sectors through CSA sponsored efforts. Since August 3, 1981, approximately 150 CSA employees have resigned for other jobs. This represents only about 20 people in Headquarters (350 people) and 130 people at the regional office level (550 people).

Most of those employees resigning were in clerical or support positions and most allege that they secured their new jobs on their own rather than through the CSA sponsored efforts. One of the major problems at the regional level is that the people who are responsible for helping employees find new jobs are looking for jobs themselves. There is a built-in conflict of interest.

The Union has experienced a lack of cooperation by OMB and HHS in discussing or explaining their plans for the transition. The Union requested a meeting with OMB and HHS officials on their plans for the close-out and transition of CSA programs. These requests were refused. OMB failed to submit in a timely manner an emergency request for supplemental appropriations to cover close-out costs for CSA employees and grantees to the House Appropriations Committee. The Director of OMB failed to support the comprehensive proposals by CSA Director Dwight Ink designed to insure an orderly close-out of agency operations and a transition period for CAAs. Officials from HHS have failed to plan an orderly transition from CSA programs to HHS which will prevent a disruption of CAA operations.

Mr. Chairman, it is our deepest hope that your committee will help to bring to the Congress's attention that the Community Action Programs have already been cut to the bone and through muscle. If the CAAs are made to suffer an additional cut of 12 percent or more as proposed by the President, then only a skeleton of empty promises to the truly needy of this country will be left. At a time when benefits to the truly needy are being cut and the dangers of social unrest are increasing, there is even a stranger need for the Federal Government to play a role in insuring that all citizens are extended equal protection of the laws of this country regardless of the State in which they reside.

In the immediate future—as well as in the long run—our national priorities must take into account the millions of Americans who, through no fault of their own, cannot find jobs and who are in desperate need of basic social services. Attempts to balance the budget—at the expense of social programs—and efforts to deliberately shift the economy into a recession—with its resulting hardships for those who are least able to withstand its effects—will not only fail to make significant inroads towards reducing inflation, but will aggravate our economic problems as well. Moreover, they may also make it even more difficult to balance the budget if the result is sharply increased unemployment.

It is estimated that each 1 percent increase in unemployment will cost the Federal Government, and the Nation as a whole approximately $29 billion as a combination of lost revenue and increased transfer payments. Thus, such policies may bring the budget more rather than less out of balance.

In closing I can assure you, Mr. Chairman, that although the employees of CSA, whom I consider the veterans of the War on Poverty, are still as committed to fighting poverty as they were 17 years ago when OEO/CSA was formed. We will constantly be seeking new and creative ideas to aid the truly needy and the marginal poor to become self-sufficient in our lifetime.

Thank you.

TESTIMONY OF LOVE B. JOHNSON, PRESIDENT, NATIONAL COUNCIL OF CSA LOCALS

Mr. JOHNSON. Thank you very much, Mr. Chairman.

My name is Love B. Johnson. I am president of the National Council of CSA Locals, which represents all of the bargaining unit employees of the Community Services Administration.

On behalf of the council I would like to express my sincere and very deep appreciation to this committee, to the committee members, and the staff for the work of the creation of H.R. 3045. We fought hard for the success of H.R. 3045.

We were not successful, but your creativity in developing it and pushing it through the full committee is very much appreciated by people throughout this entire country. And your efforts to insure

that poor people in this country are addressed, their needs are addressed, is something that will be well remembered in years to come.

I appear before you today with very heavy sadness for the passing of hope for over 25 million poor Americans.

The abolition of the Community Services Administration by the Reagan administration and the Congress signals to the American people that our Government is no longer committed to fighting poverty as a national priority. We believe that the fact will soon return to haunt us, that the administration and the Congress have misled the American people and that the American people will soon call upon them to justify why the national tilt toward the rich and the wealthy at the expense of the poor and the middle classes.

Let there be no doubt that the reluctant approval of the Community Services block grant by the President does signal new efforts to abolish even that small commitment to the poor of this country.

You must recall that the President did not propose a Community Services block grant, but instead proposed to fold the Community Services Administration into an overall social services block grant, with no special consideration for poor people in this country, simply to be done in social services to be delivered to anyone, not targeting.

That is still a commitment by the President and a commitment which you must face I am sure in the very near future.

You must also keep in mind that the President's chief domestic adviser, Mr. Martin Anderson, has already said that the war on poverty has been won. I am sure that you in Puerto Rico and you in Montana would certainly know that that is not the case and will not be the case with the significant budget cuts that have already been perpetrated on the American people beginning tomorrow, and the additional cuts which the President is proposing, I guess, later on over the next 50 to 60 days, when he will inform the Congress, and hopefully the Congress will act on the additional cuts.

As president of the National Council of CSA Locals I would really be remiss in my duty if I did not tell you that our employees feel that they have been singled out to be made scapegoats by the President, simply because the programs which they have diligently worked for are not really liked by the President on a philosophical basis. In eliminating the war on poverty the President has not cut out waste, fraud, and abuse. But he has simply killed the Federal Government's commitment to aid 25 million citizens who are in need of a hand to become self-sufficient.

There has been little positive cooperation, in spite of what has been said here, from OMB and HHS to help CSA coordinate efforts to find jobs for CSA employees in both the private and public sectors.

We are particularly concerned about our employees who have less than a year to retire and who are eligible for this but who now will be denied that opportunity. CSA, HHS, nor GSA have come up with a successful effort to place those employees on a temporary basis until they would be eligible for retirement. It is simply very callous of our Government to treat its employees with a total lack of compassion, especially for those who have given their years, nearly 20 to 30 years of faithful service to the Government.

Mr. Chairman, I would like to speak about the block grant proposal. From our perspective this is something that our union has studied very closely. Our major concern about the Community Services block grant is that the administration and the Congress have not permitted enough time for a smooth and orderly transition from categorical funding to State block grants.

As of yesterday, September 29, 37 States had notified HHS that they were opting into the Community Services block grant on October 1. However, only four States have submitted applications necessary for the funding.

We agree with Gov. Richard Snelling of Vermont—he is a conservative Republican and chairman of the National Governors Association—that the Reagan cuts are coming too fast, with too little preparation. The Reagan administration has failed to provide an orderly and professional closeout of the Community Services Administration, which would have assured a smooth transition from CSA grantees and CSA employees. This is not meant as any criticism of CSA Director Dwight Ink and his staff, because Mr. Ink and his staff have been essentially powerless in affecting funds or policies which have permitted an orderly and professional closeout of the agency's program and staff.

When Mr. Ink joined the agency earlier this year, he came with a well-thought-out plan to close out the programs operated by CSA. However, the action of the Congress to place the Director of OMB as the Director of CSA for transition purposes effectively made Mr. Dwight Ink's job impossible to secure an orderly phaseout of the CSA grantees and staffs.

The Omnibus Reconciliation Budget Act of 1981 left Mr. Ink only as a figurehead in his agency while the true power for all decisions resided in OMB which had little time to handle effectively a closeout of a $500 million program, when OMB was concerned about finding ways to cut billions more in other programs.

Thus, OMB's lack of a well-thought-out plan has resulted in:

One, grantees being short funded and being thrown into a crisis situation of having no money to continue until the block grant program is finally implemented;

Two, that CSA employees not having available in a timely manner their severance pay and accrued annual leave which is mandated by law; and three, little successful effort to place CSA employees in public and private jobs, lack of a plan to transfer CSA employees to HHS to carry out the continuing CSA programs, and this is over $300 million which is in the pipeline currently being administered by CAA's across the country.

It is a heinous contention and we have filed a lawsuit to prove this contention, and that is that the Congress has mandated for the time being that these programs will continue in place, as stated in Federal Judge Penn's granting of the union's request for a temporary restraining order, and I quote:

"Indeed, the reference contained in the act that provisions be made for the transfer or other disposition of personnel" suggests that a transfer of personnel was contemplated by the Congress.

There seems to be no one in CSA in management, no one in OMB in management, and no one in HHS in management that can also read that same phrase.

If this is the case, if CSA employees are not transferred immediately to HHS then irreparable harm and injury to the CAA programs will result around this country. The nature of the program is, and always has been such that it has required teamwork, extensive monitoring, extensive knowledge of grantee performance over a period of time, intimate knowledge of local conditions and local problems, and the ability to bring to bear diverse specializations to provide adequate review of different programmatic components of an application.

An application may cover such diverse areas of expertise simultaneously as solar energy, day care, nutrition, economic development, transportation, elderly needs, and employment training. The CAA's also require an extraordinary sensitivity and awareness of issues bearing on cultural pluralism, regional and ethnic styles, in order to effectively communicate with diverse groups of grantees.

Therefore, those responsible for making decision on grants, monitoring grantees and providing assistance to grantees require a diversity of specialization and a capacity to interpret Federal mandates and policies to meet diverse local conditions.

The union believes that no other Federal agency, including HHS, possesses the personnel qualified to effectively and efficiently address the issues and concerns of the truly needy.

The poor handling of the transition by OMB is bringing utter chaos to grantees, elected officials, and volunteers at the local level, not to mention injury to the beneficiaries, and will also frustrate Federal policy and subvert the congressional mandate.

For the benefit of the close to 25 million Americans who remain in poverty and the protection of taxpayers who have invested in effective programs to assist the poor over the past 17 years, qualified and experienced personnel are indispensable in the administration and monitoring of CSA-developed programs.

However, the Reagan administration, through OMB, seems simply set on getting rid of the Community Services block grant program by neglect and inattention.

What is going to happen to CSA programs across the country on October 1? Will there be a staff at HHS to quickly implement the programs to grantees not under the State program, to insure that there is no disruption of services to beneficiaries?

Will the HHS staffs have the expertise and understanding of CAA operations to properly monitor them?

Today is September 30, 1 day before October 1. As you have heard from testimony from HHS and the failure of OMB to appear, but there seems still not to be any plan that they are willing to share with the American people. These questions are yet to be answered, and this lack of information clearly demonstrates that the CSA transition to HHS has been haphazard and poorly planned. Enough time has not been given to CSA, to HHS and the States to plan the transition in an orderly and professional manner worthy of the Federal Government.

Thank you, Mr. Chairman.

Mr. CORRADA. Thank you, Mr. Johnson, for your testimony.

What has been your experience in terms of the situation of transition that is prevailing? Has there been proper coordination be-

tween CSA, OMB, HHS, as well as the State and local agencies to insure that that transition results in proper and orderly transition?

Mr. JOHNSON. Mr. Chairman, I would say not. I have been here in Washington ever since the reconciliation bill was passed, and I have attempted to work very closely with Mr. Ink and his staff in terms of finding out what was going on. I was privy to a number of meetings in which I was informed that there was a great reluctance by HHS to assume the continuation of the programs.

And only in the last 2 weeks or 3 weeks at the most has some decision been made that HHS would actually carry on the programs. There was a tremendous great reluctance to get involved in it, and as a result of that reluctance there was very little planning that the CSA staff could participate in with HHS or GSA or with OMB. And I heard constantly from members in the hierarchy of the CSA staff that OMB was extremely busy and it just did not have time to be working with them and to give them the kind of decisionmaking that they needed.

And thus it formed a great deal of bottlenecks in terms of decisions, in planning, and I think it was very poorly done, considering the fact that there was an excellent plan, developed by Mr. Ink, which called for an orderly closeout of the agency and a transfer to HHS, which was not adhered to by OMB. Thus, there was constantly back-and-forth efforts trying to come up with a compromise, but since we are closing today you can see that very little compromising was done.

Mr. CORRADA. Now how many positions, if you know this, are there in the new Office of Community Services? Have you been informed of this?

Mr. JOHNSON. Because of the lawsuit we have filed we have been in discussions with CSA people, we have been in discussions with the General Counsel of HHS. In the negotiations which we have always participated in with him we have been quite willing to negotiate with HHS and with OMB. As a matter of fact we asked to meet with OMB as well as HHS to discuss this and resolve this. They refused.

But we have met with the General Counsel of CSA, and in the discussions with him he offered anywhere from 100 to 200 positions, 250 positions perhaps, but CSA employees would not have any preference whatsoever for those jobs; they would simply be able to compete with HHS employees and people off the streets. And that was all that would be offered.

The General Counsel of HHS since the lawsuit has been filed and since we have been given the temporary restraining order, the General Counsel of HHS has spoken to our attorney, and what he has offered was approximately 150 to 200 positions, where CSA employees could possibly compete for those positions, but with no preference and simply compete against other HHS employees and people off the street.

Mr. CORRADA. And how many CSA employees are out there available to occupy these positions?

Mr. JOHNSON. Well, there are approximately 600 employees that would be available for work. You have to consider, however, that if given the option some of our employees would decide not to continue with the agency. They would prefer to get out, and they would

like to get their severance pay and leave, and we understand that. But there is certainly, the overwhelming majority of the employees would like to see this program continue and would like to at least see it closed out in a very professional and orderly manner.

We have worked over 17 years for success, and really are shocked at the fact that within a very short period of time, less than 2 months, that you could close out a $500 million program without causing a great deal of disruption. And we would not like to see that disruption.

Mr. CORRADA. Of course, I am sure that all of those employees are anxious to be able to secure a job. Now with the uncertainties that you have alluded to, in terms of the limited amount of jobs that would be available in the new Office of Community Services, plus the fact that the promise simply is that they would be allowed to compete for those jobs with anybody else who would apply for them, do you feel confident that the talent and experience and preparation of those CSA employees that have dedicated years of their lives in, working with these programs, might actually be lost by the Federal Government or even the State and local agencies as well?

Mr. JOHNSON. Mr. Chairman, we certainly do have that concern, and that is why in essence we filed the lawsuit. We feel very clearly that the act, the Budget Act, did insure a transfer of function over to CSA, including the transfer of the employees, to insure that there would be professional experienced help. And I am really perplexed by the fact that there is a great reluctance by HHS to even seek out. I would have thought that they would have been the first to do so.

We clearly understand that with the reduction in programs that there is not going to be the same size staff. We understand that. All we are seeking in our lawsuit, which we think is fair and right, is that the employees will be transferred over to HHS once HHS decides the programs that it is going to operate and its needs for that program, it will simply conduct a reduction in force, which will put most of our employees on the streets, but at least in those positions that are left that HHS is going to carry on, that we would have experienced and well-placed employees in those from CSA.

Mr. CORRADA. Thank you.

Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

We heard time and again during the campaign from then Candidate Ronald Reagan that there would be a great hue and cry about the dismantling of some of these agencies and programs and that it would come primarily from you and your people who are trying to protect your own nests and really have a self-centered concern and, therefore, I assume no concern for anyone except yourself.

And then since he has become President he told a Member of Congress at a meeting at the White House when that Member of Congress stood and said, "Well, Mr. President, my phone is not ringing off the hook for the dismantling of these agencies; I am hearing from a good many people that they have some concern about your policies," and the President, responded, "Oh, you are simply hearing from those who are trying to protect their own

nests. These people, you know, have a commitment to their own jobs; it is nothing more than that."

This may be your last opportunity to respond to that charge from the President. Do you wish to do so?

Mr. JOHNSON. Very much so, sir.

The employees of CSA generally have been very committed veterans of the war on poverty. Those people joining CSA would have to join it out of commitment rather than joining it because it is simply a job. OEO, CSA has never enjoyed a great deal of support from administrations since 1968, really—ever since we got deeply involved in the Vietnam war. And if a person was looking only for a career that CSA was not the place to look.

The people within CSA are some of the most dedicated and committed people to what they are doing, than any Federal agency anywhere in this country. And the simple reason is that because most of the people involved have to give much of their time, and much of their feelings, because you are dealing with some of the people who are least able to make it in our society.

You are faced with all kinds of poverty that you just, as being a Congressman, you just would not necessarily see. And being in that kind of position it tears you to be able to work with people like that and to be able to help in some form or fashion; it takes something, I think a little bit greater than simply doing an 8-to-5 job.

And I think that our employees have been very professional, as Mr. Ink has said, and even knowing that they are losing their jobs as of today, that many of them are still working as of last night, 9 and 10 at night, to try to make up for an administration's plan that puts them out of business, which still will leave so many loose ends hanging, that it is going to be very difficult for HHS to put it all together, no matter whenever they start.

So that my answer to you is that certainly people are concerned about their jobs, but that has been not the overriding concern. I think the philosophical reason for being involved in CSA has been the most rewarding aspect of it for most of us.

I have been in CSA myself for over 11 years, and I come from a Republican background in the sense that I was deputy campaign manager for Paul Eggers who ran for Governor of Texas back in 1970, and so I came to CSA as a good management-type person who did not really fully appreciate what CSA and OEO at that time really did. And I have become convinced that it is the need, it is a symbol of this Nation's commitment to poor people. And that is what is the most important aspect.

We were nothing more than pocket change ever since 1970, nothing more than pocket change, but for that small pocket change, in terms of the overall Federal budget we were simply that commitment to people that said, no matter how poor you are, no matter how destitute you are, that there is hope. And what we are taking away from the American people now is that hope. What we are taking away from the American people is what we have believed in and fought for from a civil rights point of view was equal protection of the laws, and now we are getting back to a situation where each individual State will have its own definition of just what poor people will have, or what poor people will do, with no national standard.

And I think we will come to regret that very soon, and I think the employees, perhaps who have worked closely in that area well appreciate that and are simply just trying to warn the American people through their lobbying efforts or through their news conferences or whatever, that that is coming. And the American people will soon realize that.

Mr. WILLIAMS. I appreciate that response.

Let me tell you that Members of Congress do, as I know you understand, see poverty. Sometimes it is wondered why so many Members of Congress have spent so much of their focus on trying to fight ignorance and despair and poverty in this country. It is because there are so many Members of Congress who get home so often; it is because they campaign door to door and they see so much of it. I think that is the simple answer. We see so much of it in this country that many of us are simply committed to continue to try to eliminate it.

I am from the West. Out West we have a great many American Indian people. An American Indian family has the lowest income level of any of the American citizens. American Indian infants have the highest mortality rate of any American citizen. American Indian adults have the lowest nutrition levels of any of our American citizens. American Indians live the shortest lives of all the people of this land. And when one walks across an Indian reservation one becomes absolutely committed to try to shed that despair. Everybody wants a piece of the American dream, including the poorest of the poor among us.

So, as the chairman has so correctly said, we mourn some today, but we simply recommit ourselves to move ahead on the front of trying to fight poverty, and soon or late the American people will not permit the abandonment of the effort to rid this country of hunger and disease and despair, and they will elect a Congress and they will elect a President who will recommit themselves to that effort.

Thank you, Mr. Chairman.

Mr. CORRADA. Thank you, Mr. Williams.

Thank you, Mr. Johnson, for your testimony.

Minority counsel has advised me has no questions.

Mr. DEAN. Thank you very much, Mr. Chairman.

Mr. CORRADA. I would like to make some remarks in closing. Today we mark the end of an agency, but more significantly we mark the end of the only Federal agency with a commitment to prevent poverty, not just treat its symptoms.

Before the Community Services Administration and the Office of Economic Opportunity which preceded it, most Government efforts to aid the poor looked very much like charity—cash payments. A welfare check is an example.

These payments were usually based on some percentage of a minimal level of assistance. While they may have kept dependent children from starving, welfare did not provide enough assistance to provide them with enough education, health and nutrition to allow them to fairly compete for jobs when they got older. Had they been able to compete equally for employment, they might have been able to pull themselves out of poverty by their bootstraps, as is the American way.

Instead, unable to compete fairly for jobs, the children of welfare recipients became welfare recipients, and their children after them. Personal cash payments, welfare checks, have not been part of the programs of the Community Services Administration. The underlying strategy of these programs has not been to give the poor a handout but rather a hand up. They have not offered a safety net which may ensnare them as well, but rather a way out of poverty. A way to break the cycle of poverty.

They have aimed at self-sufficiency, not dependency.

To a considerable extent these programs have succeeded. While the war on poverty has not been won, the battle has been joined. While our population has risen over the past two decades the number of this Nation's poor has fallen by more than 12 million. Still, the war has not been won, and more than 25 million Americans remain poor.

Sad to say, nearly 8 out of 10 are women and children. Two out of 10 are over 60 years of age; while about 6 out of 10 are white, minorities are still disproportionately represented.

Today we witness the demise of CSA but the war on poverty is not dead. It will continue at the State level, with drastically reduced resources. It will continue with Head Start and the Foster Grandparent program which were spun off from the original Office of Economic Opportunity.

It will continue in volunteer programs at the State and local levels.

It will continue, but the Federal leadership provided by the Community Services Administration will not, and it will be missed.

Thank you.

[Whereupon, at 1:12 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

COMMUNITY SERVICES ADMINISTRATION,
Washington, D.C., August 3, 1981.

To: Interested Individuals and Organizations.
From: Lawrence Y. Goldberg, Assistant Director for External Affairs (Designate).
Subject: General Information on the New Community Services Block Grant (CSBG) Program as Enacted by H.R. 3982, the "Omnibus Budget Reconciliation Act of 1981".

Attached is a section-by-section analysis of the new "Community Services Block Grant" passed by Congress on July 31, 1981. This analysis is intended to provide early and basic information on the new CSBG. Some provisions of the new CSBG still require legal interpretation and clarification, however, and this analysis should not be used as a definitive document.

Also attached is a series of "Questions and Answers" on the new CSBG which I hope will be helpful in answering some of your initial questions. As the Department of Health and Human Services will be the federal administering authority of the new CSBG, specific directives and regulations will have to be issued by that Federal agency.

Finally, attached is a copy of the actual legislative language on the CSBG as passed by Congress as well as the conference report on sections of H.R. 3982, the "Omnibus Budget Reconciliation Act of 1981", pertinent to the CSBG.

SECTION-BY-SECTION ANALYSIS OF THE NEW COMMUNITY SERVICES BLOCK GRANT AS ENACTED BY CONGRESS ON JULY 31, 1981

Background: On July 31, 1981, the House of Representatives, by voice vote, and the U.S. Senate, by a vote of 80-14, passed the final verison of H.R. 3982, "The Omnibus Budget Reconciliation Act of 1981." President Reagan is expected to sign the measure into public law in the near future.

H.R. 3982 makes more the $35 billion in budget cuts in FY 1982 and provides for a total of approximately $130 billion in Federal budget cuts in the next three years.

Among the numerous provisions of the reconciliation bill is the establishment of a new "Community Services Block Grant" (CSBG) which replaces programs previously administered by the Community Services Administration. The Community Services Administration is terminated as a Federal agency on October 1, 1981, and the Community Services Block Grant is established as a clearly new program within an Office of Community Services in the Department of Health and Human Services.

The following is a general analysis of the new CSBG established by Congress. This analysis is provided to give basic information on the new CSBG program and should not be considered a definitive legal document. Some provisions of the CSBG will require further clarification by regulation or administrative directive.

TITLE VI—HUMAN SERVICES PROGRAMS

SUBTITLE B—COMMUNITY SERVICES BLOCK GRANT PROGRAM

SHORT TITLE

Section 671.—A new "Community Services Block Grant Act" is established.

COMMUNITY SERVICES GRANTS AND APPROPRIATIONS AUTHORIZED

Section 672.—(a) The Secretary of HHS is authorized to make grants to States to "ameliorate the causes of poverty in communities within the State."

(b) There is authorized to be appropriated $389,375,000 for FY 82 and for each of the next four fiscal years to carry out the CSBG and the Discretionary Authority of the Secretary (see Section 681).

DEFINITIONS

Section 673.—(1) The term "eligible entity" is defined as any organization which was officially designated in fiscal year 1981 as a community action agency or a community action program under the provisions of Section 210 of the Economic Opportunity Act (EOA) of 1964, unless that entity lost its designation for failure to comply with the EOA. (This term is used twice in the new bill to cover funding of groups in fiscal year 1982.)

(2) The term "poverty line" means the official poverty line established by OMB with the Secretary of HHS required to periodically revise the poverty line. The poverty line is to be used as the criterion of eligibility for the CSBG programs.

(3) The term "Secretary" refers to the Secretary of the Department of Health and Human Services.

(4) The term "State" means each of the several States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

STATE ALLOCATIONS AND COVERAGE OF INDIAN TRIBES

Section 674.—Provides that the Secretary of HHS shall remove from the amount appropriated for the CSBG each year up to 9 percent for use in funding Discretionary Programs (see section 681). Of the amount remaining, 99.5 percent must be allotted to the States, DC and Puerto Rico in an amount which bears the same ratio to such remaining amount as the State received in fiscal year 1981 under Section 221 of the EOA of 1964 bore to the total amount received by all States for fiscal year 1981 under Section 221 of the EOA. No State, however, shall receive less than one-fourth of 1 percent.

The remaining one-half of 1 percent must be allocated to Guam, American Samoa, the Virgin Islands, the Northern Marianas, and the Trust Territory of the Pacific Islands.

This section further provides that each of the above jurisdictions must make applications to receive its grant allotment (see Section 675 for more on this).

Finally, this section provides that if the Secretary receives a request from the governing body of an Indian Tribe or tribal organization within a State for a direct grant and if the Secretary determines the tribe would be better served by such grant, the Secretary can reserve amounts for that tribe from a State's allotment based on the ratio that the tribe's eligible population bears to the population of all eligible individuals in that State. In order to be eligible for such a grant, the tribe must submit a plan to meet such criteria as the Secretary may prescribe by regulation.

ANNUAL APPLICATIONS AND REQUIREMENTS

Section 675.—(a) Each State desiring a grant must submit an annual application beginning in FY 82 in such form as the Secretary of HHS shall require.

(b) No funds will be allotted to a State for a fiscal year unless the State's legislature holds public hearings on the proposed use and distribution of CSBG funds. No such hearing is required in fiscal year 1982—only for subsequent fiscal years.

(c)(1) As part of each annual application, the chief executive officer of each State must certify that the State agrees to use the funds to provide services having a "measurable and potentially major impact on the causes of poverty" and to provide activities designed to assist low-income participants in areas of employment; education; better use of available income; housing; emergency assistance; self-sufficiency; community involvement; and more effective use of other related programs.

(c)(2) and (3) As part of the application in fiscal year 1982 only, the State must certify that not less than 90 percent of the funds allotted to the State will be used by the State to make grants to "eligible entities" (see Section 673 (1)) or to organizations serving seasonal or migrant farmworkers.

In fiscal year 1983 and for each subsequent fiscal year, each State must certify in its annual application that not less than 90 percent of its allotment will go to make grants to (1) political subdivisions of the State; (2) or to non-profit private community organizations (which have a board composed of one-third elected public officials, one-third members chosen democratically to represent the poor in the area served, and one-third members of business, industry, labor, religious, welfare, education, or other major community groups); (3) or to migrant and seasonal farmworker organizations.

Each State's annual application must also assure that not more than 5 percent of its allotment will go to administrative expenses at the State level.

(c)(4) In its annual application, States are required to give "special consideration" to existing community action agencies in making grants with certain caveats.

(c)(5) In its annual application, a State may transfer not more than 5 percent of its allotment to services under the Older Americans Act, Head Start, or energy crisis intervention.

(c)(6) and (7) In its annual applications, a State must prohibit political activities, including activities to provide voters transportation to the polls or similar assistance.

(c)(8) The States must provide coordination between antipoverty programs and emergency crisis intervention programs.

(c)(9) In its annual application, a State must also provide that fiscal control and fund accounting procedures will be established to insure proper disbursal of, accounting for, and monitoring of the grant funds.

This section also provides that each State at least every year must prepare an audit of its transfers and expenditures. However, please note that Title XVII, Section 1745 of H.R. 3982 appears to override this requirement.

Title XVII, Section 1741-1745 sets forth general procedural and administrative requirements for all block grants set up by H.R. 3982. Section 1741 of Title XVII pertains to the "Distribution of Block Grant Funds." Section 1742 deals with "Reports on Proposed Use of Funds and Public Hearings." Section 1743 details general "Transition Provisions" for block grants. Section 1744 allows "Access to Records by Comptroller General." Section 1745 details "State Auditing Requirements."

These general provisions of Title XVII are meant to only cover areas on which an individual block grant might be silent. While there is no final definitive word on which provisions of Title XVII might apply to the Community Service Block Grant, conversations with Senate and House counsels draw a tentative conclusion that only Section 1745 of Title XVII (State audits) overrides and pertains to the CSBG.

Section 1745 of Title XVII states that the State audit requirements contained therein apply to all block grants unless the individual block grant specifically exempts itself from Section 1745. The CSBG audit provision does not appears to be explicitly exempted from Section 1745.

Therefore, rather than an annual State audit as required by the CSBG, it appears States will have to comply with the Section 1745 audit provisions which require audits to be conducted with respect to each two-year period after October 1, 1981. To the extent practicable, the audits are to be conducted in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, activities, and functions.

(c)(10) This provision permits and requires cooperation of each State with Federal investigators as detailed in Section 679. (With respect to the overall assurances re-

quired in the bill in the annual application, HHS cannot prescribe regulations for State compliance.)

(d) Beyond the annual applications, each State is required to furnish the Secretary of HHS with a plan which details how the State will carry out all the assurances detailed in Section 675(c). This plan can be revised by the State, and the State must furnish the revised plan to HHS. Each plan must also be made available for public inspection, comment and review.

(e) Provides that any organization receiving assistance under the CSBG is deemed to be a State or local agency.

(f) This provision requires each State audit to be conducted by an independent entity and submitted within 30 days to the Secretary of HHS and the State legislature.

(g) States must repay misspent sums or the Secretary of HHS can offset misspent amounts against any other monies under the CSBG the State is or may become entitled to.

(h) The Comptroller General of the U.S. shall "from time to time" evaluate the expenditures by States of CSBG grants to insure expenditures are consistent with the purposes of the block grant and to determine the effectiveness of the State's disbursements.

ADMINISTRATION

Section 676.—The bill creates an Office of Community Services within the Department of Health and Human Services to be headed by a Director. In the conference report accompanying the bill, the conferees emphasized that the Community Services Administration, as an agency, is terminated and that the new Community Services Block Grant is clearly a new program within HHS, not a transfer of authority.

No mention is made in the bill or conference report of the staffing or organizational structure of this new Office of Community Services. Additionally, no specific authorization of appropriations is made for the operating costs of this office. Congressional staff advise such operating costs will be covered in the general appropriations for the administrative operations of HHS.

NONDISCRIMINATION

Section 677.—The bill prohibits discrimination on the basis of race, color, national origin, sex, age, or handicap and provides for administrative and legal remedies for non-compliance.

PAYMENTS TO STATES

Section 678.—The bill provides that allotments to the States shall be made in accordance with the provisions of the Intergovernmental Cooperation Act of 1963 and that States must spend their allotments in the same fiscal year or the succeeding fiscal year.

WITHHOLDING

Section 679.—This section requires the Secretary of HHS to, after adequate notice and opportunity for hearing, withhold funds from any State that does not use its allotment "substantially" in accordance with the provisions of the CSBG and the assurances it made in its annual application. The conference report makes it clear that the Secretary of HHS, in making a determination as to substantial compliance, shall make each decision on a case-by-case basis.

This section also requires the Secretary of HHS to respond expeditiously to "complaints of a substantial or serious nature" that a State has misspent funds. Any violation of one of the assurances required in the annual application (see Section 675(c)) is considered a "serious complaint."

Finally, this section requires HHS to conduct investigations each year in at least several States regarding compliance, particularly when the Secretary determines that there is a pattern of complaints. The Comptroller General of the U.S. may also conduct investigations. While the States are directed to make appropriate documents available to HHS or the Comptroller General, HHS or the Comptroller General may not request information not readily available.

The Secretary of HHS may not withhold funds from a State for minor failures to comply.

LIMITATIONS ON USE OF GRANTS FOR CONSTRUCTION

Section 680.—The bill provides that, with certain exceptions (including the Secretary's funding of Discretionary Programs—see Section 681—and approval of a State's request for a waiver), CSBG funds cannot be used to purchase or improve land or to purchase, construct, or permanently improve buildings, or facilities, other than low-cost residential weatherization or energy-related home repairs.

DISCRETIONARY AUTHORITY OF SECRETARY

Section 681.—This section authorizes the Secretary of HHS, either directly or through grants, loans, guarantees, contracts or jointly financed cooperative arrangements with States and public or private organizations and agencies, to provide funding for training and on-going activities of national or regional significance related to the purposes of the CSBG, including special emphasis programs for community development activities; Rural Development Loan Fund revolving loans and guarantees; community development credit union programs; technical assistance and training programs in rural housing and community facilities development; assistance for migrants and seasonal farmworkers; and national or regional programs designed to provide recreational activities for low-income youth.

The Secretary of HHS can use not more than 9 percent of the CSBG appropriation for funding of these Discretionary Programs. If the full CSBG authorized amount is appropriated in fiscal year 1982 and the Secretary uses the full 9 percent he is authorized to use for discretionary programs, this means approximately $35 million will be available to discretionary programs in fiscal year 1982.

Note: To further clarify the types of activities eligible for discretionary funding and due to the fact that Title VII (Community Economic Development Program) of the EOA of 1964 is repealed by this bill, H.R. 3982 also enacts a new "Community Economic Development Act of 1981". This new Act basically reauthorizes all Title VII type activities and makes them eligible for the Discretionary Authority of the Secretary in the CSBG. Please note that CSBG funds are not specifically earmarked for Title VII, only that Title VII activities are made eligible to compete with other special emphasis programs, national and regional programs and training programs for discretionary funding under the CSBG.

Further, the new "Community Economic Development Act of 1981" retains the two revolving loan funds (the Rural Development Loan Fund and the Community Development Credit Union Revolving Loan fund) previously administered by the Community Services Administration and provides that such loan funds will continue to be made available for the purposes for which they were established.

Non-profit and for-profit Community Development Corporations (CDCs) are also made eligible under the reconciliation bill to compete for HUDs community development block grant monies.

TRANSITION PROVISIONS

Section 682—This section allows each State to delay for up to one year (fiscal year 1982 only) assumption of its community services block grant. For that portion of fiscal year 1982 in which a State does not assume administration of its CSBG, the Secretary of HHS, acting through the Office of Community Services in HHS, must operate the programs within that State that are repealed by the CSBG and do so in accordance with the provisions of law in effect on September 30, 1981, but repealed by the CSBG. While HHS is operating the programs within a State, HHS draws on the State's fiscal year 1982 CSBG and may not use more than 5 percent of any State's allotment for its administrative costs.

The programs that HHS must operate within a State if that State has elected to delay assumption of its CSBG are those defined in Section 673(1), i.e., existing community action agencies and community action programs that were so designated and still in good standing in fiscal year 1981.

If a State wishes to delay assumption of its CSBG for all of fiscal year 1982, it needs to give one notice to the Secretary of HHS prior to the beginning of the first quarter of fiscal year 1982. That notice will stand for all of fiscal year 1982 and HHS will use the State's CSBG to fund community action agencies and programs in that State for all of fiscal year 1982.

If a State wishes to temporarily delay assumption of its CSBG for part of fiscal year 1982, it must give notice to the Secretary of HHS prior to the first quarter of fiscal year 1982 (i.e., prior to October 1, 1981) that it chooses not to operate its block grant immediately on October 1 and refile such notice at least 30 days before the

beginning of any other quarter in fiscal year 1982 in which it still wishes to delay assumption of its block grant.

A State which delays assuming its CSBG on October 1, 1981, can only assume that block grant, therefore, at the beginning of a new quarter, i.e., January 1, April 1, or July 1, 1982.

Note: These "transition provisions" are unclear on several points and hopefully will be clarified by regulation or directions from HHS. For instance, a State must alert HHS prior to the first quarter of fiscal year 1982 (October 1, 1981) if it does not wish to assume its CSBG for all or part of fiscal year 1982. The bill does not say, however, when this first notice has to be filed (e.g., 45 days before? 30 days before? 1 day before?)

Secondly, the bill seems to provide that a State only notifies HHS if it does not want to assume its block grant either for all of fiscal year 1982 or for one or several quarters of fiscal year 1982. Presumably, if a State does not file such a notice or determination, HHS automatically stops funding programs at the end of the appropriate quarter and turns the State's remaining fiscal year 1982 CSBG over to the State. Please remember, however, that before a State can receive its fiscal year 1982 CSBG, it must file with HHS an application and appropriate plan on use of the funds.

Thirdly, these "transition provisions" do not make it clear if during HHS's interim operation of a State's programs, all fiscal year 1981 community action agencies and programs in that State are to receive a pro-rata share of funding out of the State's CSBG until the State takes over the CSBG from HHS.

In the conference report on Title XVII, Section 1743 (General Transition Provisions for Block Grants), legislative history is established that the intent is that each previous grantee or program shall be funded on a pro-rata share. However, the Title XVII general transition provisions do not apply to the CSBG. The specific manner of HHS's fiscal year 1982 interim funding, therefore, will have to be clarified by HHS.

Once a State does take over its CSBG in fiscal year 1982, 90 percent of the CSBG allotment it receives must go to CAAs and CAPs so designated in fiscal year 1981 or to organizations serving seasonal or migrant farmworkers. It appears that there is no requirement in this instance that the State must fund all such existing agencies or programs only that 90 percent of the fiscal year 1982 CSBG funds the State is administering must go to such entities.

Finally, Section 682 of the CSBG Act provides that upon date of enactment of H.R. 3982, the Director of OMB is authorized to provide for the termination of the affairs of the Community Services Administration. This does not mean CSA is terminated on date of enactment. Rather, this provision gives authority to begin an orderly phase-out of CSA, as an independent Federal agency, and provide for the transfer or other disposition of CSA personnel, assets, liabilities, grants, contracts, property, records and unexpended balances in preparation for the new CSBG.

CSA, as an independent agency, is officially terminated as of October 1, 1981.

REPEALS; REAUTHORIZATION PROVISIONS; TECHNICAL AND CONFORMING PROVISIONS

Section 683.—(a) All titles of the Economic Opportunity Act of 1964, other than titles VIII (Native American programs) and X (Legal Services) are repealed effective October 1, 1981.

(b) Such sums as necessary are authorized to be appropriated for Title VIII of the EOA of 1964.

(c) Three technical clarifications are made.

QUESTIONS AND ANSWERS ON THE NEW COMMUNITY SERVICES BLOCK GRANT

(Please note that the following material is based on a general reading of the "Community Services Block Grant Act" as recently passed by Congress in H.R. 3982, the Omnibus Budget Reconciliation Act of 1981. This series of "Qs and As" are intended to respond to early questions on the new CSBG with the caution that the provisions of the new CSBG have yet to be definitively interpreted or clarified.)

Question. What is the status of the Community Services Administration and its employees?

Answer. As of 10-1-81, CSA will be terminated as an independent federal agency. Effective 10-1-81, all titles of the Economic Opportunity Act of 1964, except for Titles VIII and X, are repealed. A "Community Services Block Grant" is established within a new Office of Community Services in the Department of Health and Human Services as a totally new anti-poverty program. This office is *not* a successor to CSA. The new CSBG will be administered by the states with oversight retained by HHS and the Comptroller General of the United States.

A "General Reduction in Force" memo was sent to CSA personnel on July 30, 1981. The Office of Personnel Management also has alerted Federal Executive Board Chairpersons and its Regional Directors to the forthcoming termination of CSA employees, urging their support and cooperation in OPM efforts to outplace CSA employees. In addition, CSA Director Dwight Ink has established an "Outplacement Program" for CSA personnel to assist them in locating alternative federal or private employment.

All rights of CSA personnel, including severance pay and unused annual leave, will be protected in the close-out of the agency.

Question. Are all current community action agencies or programs guaranteed funding under the new CSBG?

Answer. No. However, community action agencies and community action programs and organizations serving seasonal or migrant farm workers are provided the following assurances in the reconciliation bill:

(1) For fiscal year 1982 only, if a state is not administering its CSBG, HHS is required to use the state's block grant to fund community action agencies or community action programs within such state as designated under Section 210 of the EOA of 1964 for fiscal year 1981, unless the community action agency or community action program lost its designation due to noncompliance. The bill does not specifically state that HHS must fund all such entities with a pro-rata share. This issue will have to be clarified by HHS.

(2) For fiscal year 1982 only, once a state assumes administration of its block grant from HHS, the state must use 90 percent of its allotment to make grants to community action agencies or community action programs so designated in fiscal year 1981 or to organizations serving seasonal or migrant farm workers. Again, the bill does not provide that the state must fund all such entities on a pro-rata basis, only that 90 percent of its fiscal year 1982 allotment must go to such entities.

(3) For fiscal year 1983 and succeeding fiscal years, a state must allocate 90 percent of its CSBG to (1) political subdivisions of the state or (2) to nonprofit private community organizations which meet the same board requirements current community action agencies must meet, or (3) to migrant and seasonal farm worker organizations.

In designating nonprofit private community organizations for grants, a state must give "special consideration" to "any community action agency which is receiving funds under any Federal anti-poverty program on the date of enactment of this Act."

Question. What must a state do to receive its community services block grant?

Answer. For fiscal year 1982 and for all succeeding fiscal years, a state must make an ANNUL application to HHS in a form to be prescribed by the Secretary of HHS. In addition to the annual application which must carry certain assurances detailed in the legislation, each state must also furnish HHS with a plan which sets forth how the state carry out the assurances required in the annual application. This plan must be made available for public inspection.

Starting with fiscal year 1983, no funds will be provided to a state unless the legislature of the state has held public hearings on the proposed use and distribution of the CSBG. No such hearing is required in fiscal year 1982.

Question. What does a state do if it does not wish immediately to take over its block grant in fiscal year 1982?

Answer. For fiscal year 1982 only, the legislation allows each state to delay taking over its block grant for all or part of fiscal year 1982. If a state does not wish to administer its block grant at all during fiscal year 1982, it needs to give one notice to HHS prior to October 1, 1981, and HHS will use the state's block grant to carry out programs in that state under the provisions of law in effect on September 30, 1981, but repealed by the CSBG. Only organizations currently designated under Section 210 of the EOA of 1964 are eligible for such interim funding by HHS.

If a state wishes to delay assumption of its block grant for only a portion of fiscal year 1982, it must so advise HHS prior to the first quarter of fiscal year 1982 (October 1, 1981) and at least 30 days prior to any other quarter in fiscal year 1981. Upon receipt of such notice, HHS will administer the state's block grant for that quarter.

States that do not assume their block grant on October 1, 1981, can only pick up the block grant at the beginning of another quarter in fiscal year 1982 (i.e., January 1, April 1 or July 1 of 1982). Before a state can assume its fiscal year 1982 block grant, however, it must have filed its application and plan with HHS.

While administering a state's block grant in fiscal year 1982, HHS cannot use more than 5 percent of the state's allotment for HHS' administrative costs.

Question. What protections does the bill provide to insure proper use of community services block grant funds?

Answer. First, prior to receiving any funds, a state must meet certain assurances in its annual application and provide a plan to HHS on its proposed use of funds. This plan must be made available for public inspection, review, and comments. After fiscal year 1982, a state also will not receive any funds until the state legislation has held public hearings on the proposed use and distribution of funds.

Second, each state is required to audit its use of funds and submit this audit its legislature and to HHS.

Third, the bill requires each state to repay the United States for any misspent funds or HHS may offset such funds from current or future CSBG allotments to the state.

Fourth, the Comptroller General of the United States is required periodically to evaluate a state's expenditurvs.

Fifth, if a state is found to be in substantial noncompliance, HHS must investgate and withhold funds. HHS must also respond expenditiously to serious complaints about a state's misuse of funds and must investigate any state in which a pattern of complaints evolves. The Comptroller General can also investigate.

Question. What happens to CSA's Title VII programs, training, and ongoing programs of regional and national significance?

Answer. The "Community Services Block Grant Act" establishes a new "Discretionary Authority" in HHS to fund such programs. Under this Discretionary Authority, the Secretary of HHS can use up to 9 percent of the amount appropriated for the CSBG. If the full authorized amount is appropriated for the CSBG and if the Secretary of HHS uses his full 9 percent authorized level for "discretionary programs", the amount available to the above programs would be approximately $35 million a year.

With specific reference to Title VII (Community Economic Development) of the Economic Opportunity Act, this title is repealed, but all Title VII activities are reauthorized by a new "Community Economic Development Act of 1981". The "Community Economic Development Act of 1981" is not separately funded, but all the activities therein are made eligible for "Discretionary Authority" funding in the CSBG. In addition, the reconciliation bill makes nonprofit and for-profit Community Development Corporations eligible to also apply for HUD's community development block grant funding. The "Community Economic Development Act of 1981" also retains the Rural Development Loan Fund and the Community Development Credit Union Revolving Loan Fund and provides that these two loan funds will continue to be made available for the purposes for which they were established.

Question. What is the level of appropriations authorized for the CSBG and how are those funds to be allocated?

Answer. The "Community Services Block Grant Act" authorizes $389,375,000 to be appropriated for fiscal year 1982 and for each of the next four fiscal years. Of this amount, the Secretary of HHS can use up to 9 percent to fund "discretionary programs" which include training, ongoing programs of regional and national significance, Title VII type programs (as authorized by the "Community Economic Development Act of 1981"), technical assistance and training programs in rural housing and community facilities development, assistance for migrants and seasonal farm workers, and national or regional programs designed to provide recreational activities for low income youth.

Of the amount remaining, 99.5 percent must be allocated to the states and Puerto Rico on a ratio basis based on fiscal year 1981 allotments to states under Section 221 of the EOA of 1964. No state shall receive less than one-fourth of 1 percent.

The remaining one-half of 1 percent goes to Guam, American Samoa, the Virgin Islands, the Northern Marianas, and the Trust Territory of the Pacific Islands.

If the Secretary of HHS receives a request from a governing body of an Indian tribe within a state for a direct grant, the Secretary can make such grant—on a formula basis and deduct it from the state's allotment. Such sums as are necessary are also authorized to be appropriated for Title VIII (Native American Programs) of the EOA of 1964 for fiscal year 1982-1984.

For fiscal year 1983 and succeeding fiscal years, once a state has received its allotment, it must allocate 90 percent of that allotment to political subdivisions within the state, or to nonprofit private community organizations (which include existing CAAs), or to migrant and seasonal farm worker organizations. A state may not use more than 5 percent of its allotment for state level administrative costs. Finally a state may not transfer more than 5 percent of its allotment to services under the Older Americans Act, Head Start, or energy crisis intervention.

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General Overview of State Responsibilities Under the New "Community Services Block Grant" Program

The following is a summary of the general requirements imposed on the States by the new "Community Services Block Grant" (CSBG) program. This summary should not be viewed as a definitive listing as many of the CSBG provisions require further interpretation and clarification by the Department of Health and Human Services (HHS).

APPLICATIONS AND REQUIREMENTS

1. A State must file an annual application with HHS to receive its community services block grant. No exception is made for fiscal year 1982.

2. The State application shall be in such form as required by the Secretary of HHS.

3. The State application must contain provisions which describe the programs for which CSBG monies are being sought. Further, the application must contain specific assurances from the chief executive officer of the State that the State's use and disbursement of CSBG monies will meet specific conditions. These conditions are:

(a) that in fiscal year 1983 and subsequent fiscal years, the State legislature has conducted "public hearings on the proposed use and distribution" of CSBG funds (there is no such requirement for fiscal year 1982);

(b) that the CSBG monies will be used to provide "a range of services and activities having a measurable and potentially major impact on causes of poverty in the community";

(c) that the CSBG monies will be used to provide activities designed to assist low-income participants, including the elderly poor, in the areas of employment, education, better use of available income, housing, emergency assistance (including health services and nutritious food), self-sufficiency, community involvement, and more effective use of other related programs;

(d) that, for fiscal year 1982 only, not less than 90 percent of the State's CSBG allotment will be used to make grants to community action agencies or community action programs so designated in fiscal year 1981 under Section 210 of the Economic Opportunity Act (EOA) of 1964, unless such entity lost its designation due to failure to comply, or to organizations serving seasonal or migrant farmworkers;

(e) that, for fiscal year 1983 and subsequent fiscal years, not less than 90 percent of the State's CSBG allotment will be used to make grants to political subdivisions of a State (as defined by State law) for CSBG purposes or to non-profit private community organizations (which include existing community action agencies), or to migrant and seasonal farmworker organizations;

(f) that, in providing grants to a community action agency or non-profit private community organization, the State assured that such organizations have a board composed of one-third elected public officials (or their representatives), one-third persons chosen democratically that are representative of the poor in the area served, and one-third members of business, industry, labor, religious, welfare, education, or other major community groups;

(g) that the State will not spend more than 5 percent of its CSBG allotment for State level administrative expenses;

(h) that the State has given "special consideration" in designating local grantees to community action agencies which were "receiving funds under any Federal anti-poverty program on the date of enactment" of the CSBG;

(i) that, if the State has decided to transfer funds, not more than 5 percent of the State's allotment will be transferred to services under the Older Americans Act, Head Start, or energy crisis intervention relating to low-income home energy assistance;

(j) that the State will insure that no CSBG funds will be spent on political activities, including transportation to polls, voter registration, or similar assistance;

(k) that the State will provide for coordination between anti-poverty programs in each community, where appropriate, with low-income home energy assistance programs in that community.

(l) that the State will insure proper fiscal control, monitoring, and accounting procedures of CSBG funds;

(m) and finally, the State must assure that it will permit and cooperate with Federal investigators by HHS and GAO.

While the above conditions and assurances must be met in each State's annual application and while the actual application form can be established by HHS, HHS cannot prescribe the manner in which the States will comply with these provisions. This means that the Secretary of HHS is prohibited from issuing regulations for

State compliance with the assurances and conditions required as a part of each State's annual application.

STATE PLAN ON USE OF FUNDS

1. In addition to the annual application, the chief executive of each State must prepare and provide HHS a plan which contains provisions describing how the State will carry out the assurances required in the annual application. No exception is made for fiscal year 1982.

2. This plan can be revised by the State and such revised plans must also be submitted to HHS.

3. Each such plan prepared by the State must be made available for public inspection within the State in a manner which facilitates public comment and review.

AUDITS

1. Each State must conduct financial and compliance audits of its CSBG funds.

2. These audits shall be conducted with respect to the two-year period beginning October 1, 1981, and with respect to each two-year period thereafter.

3. These audits shall, insofar as practicable, be conducted in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, activities and functions.

4. The above audit requirements are those of Section 1745 of Title XVII of H.R. 3982, which supersede the audit provisions in the Community Services Block Grant Act as contained in Section 675 (c) (9) and Section 675 (f) of that Act.

WITHHOLDING OR OFFSET OF MISSPENT FUNDS

1. CSBG monies not spent in accordance with the provisions of the Community Services Block Grant Act must be repaid to the United States by the State or the Secretary of HHS can offset a State's misspent funds against any other CSBG allotment the State is or may become entitled to.

2. HHS must also withhold funds from a State which does not use its allotment "substantially in accordance" with the CSBG provisions and the assurances required in its application. HHS must first afford the State adequate notice and opportunity for hearing. HHS may not withhold funds for minor failures of compliance.

FEDERAL INVESTIGATIONS

1. The Comptroller General of the United States is required, "from time to time", to evaluate a State's CSBG disbursements to assure expenditures are appropriate and effective.

2. The Secretary of HHS is required to respond expeditiously to "complaints of a substantial or serious nature that a State has failed to use funds" appropriately. A violation of any one of the assurances required in the annual application is deemed to be a serious complaint. HHS, in making a determination as to substantial compliance, must make each decision on a case-by-case basis.

3. The Secretary of HHS is required to conduct investigations each year "in several States" to evaluate compliance and particularly when there is a pattern of complaints.

4. The Comptroller General of the United States may also conduct investigations in a State to ensure compliance.

5. States are required to make appropriate documents available to HHS or the Comptroller General, but HHS or the Comptroller General may not request information not readily available.

NONDISCRIMINATION PROVISIONS

States are prohibited from discriminating on the basis of race, color, national origin, sex, age, or handicap, and the Secretary of HHS is required to seek administrative and legal remedies for noncompliance.

LIMITATIONS ON USE OF GRANT FOR CONSTRUCTION

States, or any other person provided State CSBG monies, may not use such funds for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs of any building or other facility.

The Secretary of HHS has the authority to waive this restriction if a State so requests and if extraordinary circumstances justify the waiver.

PAYMENTS TO STATES

1. HHS shall make CSBG allotments to the States in accordance with Section 203 of the Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4213).

2. A State must use its CSBG allotment for any fiscal year in that fiscal year or the succeeding fiscal year.

FISCAL YEAR 1982 TRANSITION PROVISIONS

1. *States wishing to assume CSBG on October 1, 1981:* A State which desires to assume administration of its "Community Services Block Grant" at the beginning of fiscal year 1982 may do so. However, before HHS can make such allotment, the State must file an application with HHS. HHS will have to advise the States what form the application must take and do so in a timely manner prior to October 1, 1981, so that States have time to file. The States must also file a plan with HHS on the proposed use of CSBG funds and make this plan available for public inspection, review, and comment within the State. This plan can be revised at a later date and resubmitted to HHS and public review. The legislation does not specifically require that the plan must be filed with HHS and made available for public inspection prior to an actual CSBG allotment being made to the State for fiscal year 1982. HHS will have to clarify the timing required for the filing and review of the State plan. State public hearings are not required in fiscal year 1982.

2. *States wishing to delay assumption of its CSBG for all of fiscal year 1982:* A State which desires to assume administration of its "Community Services Block Grant" program for one full year (fiscal year 1982 only). If a State so chooses, the State must notify HHS prior to the beginning of fiscal year 1982 (i.e., prior to October 1, 1981) that it does not intend to operate its block grant at any time during fiscal year 1982. This single notification is the only action such States need to take. HHS will operate a State's CSBG in that State for all of fiscal year 1982. The legislation only specifies that such notice will be filed with HHS prior to October 1, 1981. No mention is made of a specific timetable for such notice between now and October 1, 1981. Unless States receive a HHS directive to the contrary, the legislation would allow such notice to be filed any time between now and September 30, 1981. The bill also makes no mention of what form the notification must take (and does not authorise HHS to specify the form).

3. *States wishing to delay assumption of its CSBG for part of fiscal year 1982:* States may delay assumption of its block grant for the first quarter of fiscal year 1982 by notifying HHS prior to October 1, 1981, that it does not choose to operate its CSBG for that quarter. If the State still does not wish to assume its block grant on January 1, 1982 (second quarter), it must so notify HHS 30 days prior to January 1. The same process applies to the third (April 1) and fourth (July 1) quarters of fiscal year 1982 if the State wishes to delay operating its block grant for those quarters.

As the legislation is written (and subject to further clarification by HHS), if a State does not file such notice and if it has filed its application and plan with HHS, the State would automatically assume operation of its block grant in the next appropriate quarter.

During those quarters in fiscal year 1982 when a State is not operating its CSBG, HHS must use the State's CSBG to fund existing community action agencies and programs so designated in fiscal year 1981 in that State under the provisions of law in effect on September 30, 1981, but repealed by the new CSBG.

If and when a State does take over its CSBG in fiscal year 1982, 90 percent of the allotment it receives must go to existing community action agencies and programs or to organizations serving seasonal and migrant farmworkers.

The legislation does not require that all such entities be funded on a pro-rata share by either the States or HHS in fiscal year 1982, only that these are the entities eligible for fiscal year 1982 funding.

4. *What if a State fails to file a notice with HHS that it wishes to delay assumption of its block grant for all or part of fiscal year 1982?* While further clarification is needed, it appears that HHS will automatically administer a State's CSBG until such time that the State has filed application and its plan with HHS. If a State fails to file the required notification at HHS and also has not filed its application or plan with HHS, legislative history would seem to require HHS to operate the State's CSBG. Conferees on the CSBG have indicated that it is the intent that beginning October 1, 1981, either a State or HHS will be operating the CSBG in that State to

avoid a funding break between fiscal years 1981 and 1982. As noted, however, further clarification on this matter will have to be issued by HHS.

To generally summarize the fiscal year 1982 transition provisions:

If a State submits an application and plan, meeting statutory criteria, to HHS before October 1, 1981, *it gets its CSBG allotment* on October 1, 1981.

If a State does not submit an application and plan, meeting statutory criteria, to HHS before October 1, 1981, HHS will use the State's CSBG allotment to fund CAPs within the State until either the State does submit such application and plan or October 1, 1982, whichever comes first.

If a State notifies HHS before October 1, 1981, that it wants HHS to use the State's CSBG allotment to fund community action programs within the State, HHS shall do so until either the State submits an application and plan, meeting statutory criteria, to HHS or October 1, 1982, whichever comes first.

[From the Congressional Record July 29, 1981]

The Community Services Block Grant Act as Enacted by H.R. 3982, the Omnibus Budget Reconciliation Bill

Subtitle B—Community Services Block Grant Program

SHORT TITLE

SEC. 671. This subtitle may be cited as the "Community Services Block Grant Act".

COMMUNITY SERVICES GRANTS AUTHORIZED

SEC. 672. (a) The Secretary is authorized to make grants in accordance with the provisions of this subtitle, to States to ameliorate the causes of poverty in communities within the State.

(b) There is authorized to be appropriated $389,375,000 for the fiscal year 1982 and for each of the 4 succeeding fiscal years to carry out the provisions of this subtitle.

DEFINITIONS

SEC. 673. For purposes of this subtitle:

(1) The term "eligible entity" means any organization which was officially designated as a community action agency or a community action program under the provisions of section 210 of the Economic Opportunity Act of 1964 for fiscal year 1981, unless such community action agency or a community action program lost its designation under section 210 of such Act as a result of a failure to comply with the provisions of such Act.

(2) The term "poverty line" means the official poverty line established by the Director of the Office of Management and Budget. The Secretary shall revise the poverty line annually (or at any shorter interval the Secretary deems feasible and desirable) which shall be used as a criterion of eligibility in community service block grant programs. The required revision shall be accomplished by multiplying the official poverty line by the percentage change in the Consumer Price Index during the annual or other interval immediately preceding the time at which the revision is made.

(3) The term "Secretary" means the Secretary of Health and Human Services.

(4) The term "State" means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

STATE ALLOCATIONS

SEC. 674. (a)(1) The Secretary shall from the amount appropriated under section 672 for each fiscal year which remains after—

(A) the Secretary makes the apportionment required in subsection (b)(1); and

(B) the Secretary determines the amount necessary for the purposes of section 681(b); allot to each State an amount which bears the same ratio to such remaining amount as the amount received by the State for fiscal year 1982 under section 221 of the Economic Opportunity Act of 1964 bore to the total amount received by all States for fiscal year 1981 under such part, except that no State

shall receive less than one-quarter of 1 percent of the amount appropriated under section 672 for such fiscal year.

(2) For purposes of this subsection, the term "State" does not include Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

(b)(1) The Secretary shall apportion the one-half of 1 percent remaining in each fiscal year on the basis of need between Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

(2) Each jurisdiction to which paragraph (1) applies may receive grants under this subtitle upon an application submitted to the Secretary containing provisions which describe the programs for which assistance is sought under this subtitle, and which are consistent with the requirements of section 675.

(c)(1) If, with respect to any State, the Secretary—

(A) receives a request from the governing body of an Indian tribe or tribal organization within the State that assistance under this subtitle be made directly to such tribe or organizations; and

(B) determines that the members of such tribe or tribal organization would be better served by means of grants made directly to provide benefits under this subtitle;

the Secretary shall reserve from amounts which would otherwise be allotted to such State under this subtitle for the fiscal year the amount determined under paragraph (2).

(2) The Secretary shall reserve for the purpose of paragraph (1) from sums that would otherwise be allotted to such State not less than 100 percent of an amount which bears the same ratio to the State's allotment for the fiscal year involved as the population of all eligible Indians for whom a determination under this paragraph has been made bears to the population of all individuals eligible for assistance under this subtitle in such State.

(3) The sums reserved by the Secretary on the basis of a determination under this subsection shall be granted to the Indian tribe or tribal organization serving the individuals for whom such a determination has been made.

(4) In order for an Indian tribe or tribal organization to be eligible for an award for a fiscal year under this subsection, it shall submit to the Secretary a plan for such fiscal year which meets such criteria as the Secretary may prescribe by regulation.

(5) The terms "Indian tribe" and "tribal organization" mean those tribes, bands, or other organized groups of Indians recognized in the State in which they reside or considered by the Secretary of the Interior to be an Indian tribe or an Indian organization for any purpose.

APPLICATIONS AND REQUIREMENTS

SEC. 675. (a) Each State desiring to receive an allotment for a fiscal year under this subtitle shall submit an application to the Secretary. Each such application shall be in such form as the Secretary shall require. Each such application shall contain assurances by the chief executive officer of the State that the State will comply with subsection (b) and will meet the conditions enumerated in subsection (c).

(b) After the expiration of the first fiscal year in which a State received funds under this subtitle, no funds shall be allotted to such State for any fiscal year under this subtitle unless the legislature of the State conducts public hearings on the proposed use and distribution of funds to be provided under this subtitle for such fiscal year.

(c) As part of the annual application required by subsection (a), the chief executive officer of each State shall certify that the State agrees to—

(1) use the funds available under this subtitle—

(A) to provide a range of services and activities having a measurable and potentially major impact on causes of poverty in the community or those areas of the community where poverty is a particularly acute problem;

(B) to provide activities designed to assist low-income participants including the elderly poor—

(i) to secure and retain meaningful employment;

(ii) to attain an adequate education;

(iii) to make better use of available income;

(iv) to obtain and maintain adequate housing and a suitable living environment;

(v) to obtain emergency assistance through loans or grants to meet immediate and urgent individual and family needs, including the need for health services, nutritious food, housing, and employment-related assistance;

(vi) to remove obstacles and solve problems which block the achievement of self-sufficiency;

(vii) to achieve greater participation in the affairs of the community; and

(viii) to make more effective use of other programs related to the purposes of this subtitle;

(C) to provide on an emergency basis for the provision of such supplies and services, nutritious foodstuffs, and related services, as may be necessary to counteract conditions of starvation and malnutrition among the poor;

(D) to coordinate and establish linkages between governmental and other social services programs to assure the effective delivery of such services to low-income individuals; and

(E) to encourage the use of entities in the private sector of the community in efforts to ameliorate poverty in the community;

(2)(A)(i) use, for fiscal year 1982 only, not less than 90 percent of the funds allotted to the State under section 674 to make grants to use for the purposes described in clause (1) to eligible entities (as defined in section 673(1)) or to organizations serving seasonal or migrant farmworkers; and

(ii) use, for fiscal year 1983 and for each subsequent fiscal year, not less than 90 percent of the funds allotted to the State under section 674 to make grants to political subdivisions of the State for the political subdivisions to use for the purposes described in clause (1) directly or to nonprofit private community organizations which have a board which meets the requirements of clause (3), or to migrant and seasonal farm worker organizations; and

(B) provide assurances that the State will not expend more than 5 percent of its allotment under section 674 for administrative expenses at the State level;

(3) provide assurances that, in the case of a community action agency or nonprofit private organization, each board will be constituted so as to assure that (A), one-third of the members of the board are elected public officials, currently holding office, or their representatives, except that if the number of elected officials reasonably available and willing to serve is less than one-third of the membership of the board, membership on the board of appointive public officials may be counted in meeting such one-third requirement; (B) at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served; and (C) the remainder of the members are officials or members of business, industry, labor, religious, welfare, education, or other major groups and interests in the community;

(4) give special consideration in the designation of local community action agencies under this subtitle to any community action agency which is receiving funds under any Federal antipoverty program on the date of the enactment of this Act, except that (A) the State shall, before giving such special consideration, determine that the agency involved meets program and fiscal requirements established by the State; and (B) if there is no such agency because of any change in the assistance furnished to programs for economically disadvantaged persons, the State shall give special consideration in the designation of community action agencies to any successor agency which is operated in substantially the same manner as the predecessor agency which did receive funds in the fiscal year preceding the fiscal year for which the determination is made;

(5) provide assurances that the State may transfer funds, but not to exceed 5 percent of its allotment under section 674, for the provisions set forth in this subtitle to services under the Older Americans Act of 1965, the Head Start program under subchapter B of chapter 8 of subtitle A of this title, or the energy crisis intervention program under title XXVI of this Act (relating to low-income home energy assistance);

(6) prohibit any political activities in accordance with subsection (e);

(7) prohibit any activities to provide voters and prospective voters with transportation to the polls or provide similar assistance in connection with an election or any voter registration activity;

(8) provide for coordination between antipoverty programs in each community, where appropriate, with emergency energy crisis intervention programs

under title XXVI of this Act (relating to low-income home energy assistance) conducted in such community;

(9) provide that fiscal control and fund accounting procedures will be established as may be necessary to assure the proper disbursal of and accounting for Federal funds paid to the State under this subtitle, including procedures for monitoring the assistance provided under this subtitle, and provide that at least every year each State shall prepare, in accordance with subsection (f), an audit of its expenditures of amounts received under this subtitle and amounts transferred to carry out the purposes of this subtitle; and

(10) permit and cooperate with Federal investigations undertaken in accordance with section 679.

The Secretary may not prescribe the manner in which the States will comply with the provisions of this subsection.

(d)(1) In addition to the requirements of subsection (c), the chief executive of each State shall prepare and furnish to the Secretary a plan which contains provisions describing how the State will carry out the assurances contained in subsection (c). The chief executive of each State may revise any plan prepared under this paragraph and shall furnish the revised plan to the Secretary.

(2) Each plan prepared under paragraph (1) shall be made available for public inspection within the State in such a manner as will facilitate review of, and comment on, the plan.

(e) For purposes of chapter 15 of title 5, United States Code, any nonprofit private organization receiving assistance under this subtitle which has responsibility for planning, developing, and coordinating community antipoverty programs shall be deemed to be a State or local agency. For purposes of clauses (1) and (2) of section 1502(a) of such title, any such organization receiving assistance under this subtitle shall be deemed to be a State or local agency.

(f) Each audit required by subsection (c)(9) shall be conducted by an entity independent of any agency administering activities or services carried out under this subtitle and shall be conducted in accordance with generally accepted accounting principles. Within 30 days after the completion of each audit, the chief executive officer of the State shall submit a copy of such audit to the legislature of the State and to the Secretary.

(g) The State shall repay to the United States amounts found not to have been expended in accordance with this subtitle or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under this subtitle.

(h) The Comptroller General of the United States shall, from time to time, evaluate the expenditures by States of grants under this subtitle in order to assure that expenditures are consistent with the provisions of this subtitle and to determine the effectiveness of the State in accomplishing the purposes of this subtitle.

ADMINISTRATION

SEC. 676. (a) There is established in the Department of Health and Human Services an Office of Community Services. The Office shall be headed by a Director.

(b) The Secretary shall carry out his functions under this subtitle through the Office of Community Services established in subsection (a).

NONDISCRIMINATION PROVISIONS

SEC. 677. (a) No person shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds made available under this subtitle. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 shall also apply to any such program or activity.

(b) Whenever the Secretary determines that a State that has received a payment under this subtitle has failed to comply with subsection (a) or an applicable regulation, he shall notify the chief executive officer of the State and shall request him to secure compliance. If within a reasonable period of time, not to exceed 60 days, the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to (1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1975, or section 504 of the Rehabilitation Act of 1973, as may be applicable; or (3) take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that the State is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

PAYMENTS TO STATES

SEC. 678. (a) From its allotment under section 674, the Secretary shall make payments to each State in accordance with section 203 of the Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4213), for use under this subtitle.

(b) Payments to a State from its allotment for any fiscal year shall be expended by the State in such fiscal year or in the succeeding fiscal year.

WITHHOLDING

SEC. 679. (a)(1) The Secretary shall, after adequate notice and an opportunity for a hearing conducted within the affected State, withhold funds from any State which does not utilize its allotment substantially in accordance with the provisions of this subtitle and the assurances such State provided under section 675.

(2) The Secretary shall respond in an expeditious and speedy manner to complaints of a substantial or serious nature that a State has failed to use funds in accordance with the provisions of this subtitle or the assurances provided by the State under section 675. For purposes of this paragraph, a violation of any one of the assurances contained in section 675(c) that constitutes a disregard of that assurance shall be considered a serious complaint.

(b)(1) The Secretary shall conduct in several States in each fiscal year investigations of the use of funds received by the States under this subtitle in order to evaluate compliance with the provisions of this subtitle.

(2) Whenever the Secretary determines that there is a pattern of complaints from any State in any fiscal year, he shall conduct an investigation of the use of funds received under this subtitle by such State in order to ensure compliance with the provisions of this subtitle.

(3) The Comptroller General of the United States may conduct an investigation of the use of funds received under this subtitle by a State in order to ensure compliance with the provisions of this subtitle.

(c) Pursuant to an investigation conducted under subsection (b), a State shall make appropriate books, documents, papers, and records available to the Secretary or the Comptroller General of the United States, or any of their duly authorized representatives, for examination, copying, or mechanical reproduction on or off the premises of the appropriate entity upon a reasonable request therefor.

(d) In conducting any investigation under subsection (b), the Secretary may not request any information not readily available to such State or require that any information be compiled, collected, or transmitted in any new form not already available.

LIMITATION ON USE OF GRANTS FOR CONSTRUCTION

SEC. 680. (a) Except as provided in subsection (b), grants made under this subtitle (other than amounts made available under section 681(b)) may not be used by the State, or by any other person with which the State makes arrangements to carry out the purposes of this subtitle, for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility.

(b) The Secretary may waive the limitation contained in subsection (a) upon the State's request for such a waiver if he finds that the request describes extraordinary circumstances to justify the purchase of land or the construction of facilities (or the making of permanent improvements) and that permitting the waiver will contribute to the State's ability to carry out the purposes of this subtitle.

DISCRETIONARY AUTHORITY OF SECRETARY

SEC. 681. (a) The Secretary is authorized, either directly or through grants, loans, or guarantees to States and public and other organizations and agencies, or contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies, to provided for—

(1) training related to the purposes of this subtitle; and

(2) ongoing activities of national or regional significance related to the purposes of this subtitle, including special emphasis programs for—

(A) special programs of assistance to private, locally initiated community development programs which sponsor enterprises providing employment and business development opportunities for low-income residents of the area;

(B) Rural Development Loan Fund revolving loans and guarantees under subchapter A of chapter 8 of subtitle A of this title;

(C) community development credit union programs administered under subchapter A of chapter 8 of subtitle A of this title;

(D) technical assistance and training programs in rural housing and community facilities development;

(E) assistance for migrants and seasonal farmworkers; and

(F) national or regional programs designed to provide recreational programs designed to provide recreational activities for low-income youth.

(b) Of the amounts appropriated under section 672(b) for any fiscal year, not more than 9 percent of such amounts shall be available to the Secretary for purposes of carrying out this section and subchapter A of chapter 8 of subtitle A of this title.

TRANSITION PROVISIONS

SEC. 682. (a)(1) The purpose of this section is to permit, for fiscal year 1982 only, States to choose to operate programs under the block grant established by this subtitle or to have the Secretary operate programs under the provisions of law repealed by section 683(a).

(2) The Secretary shall carry out the provisions of this section through the Office of Community Services established in section 676(a).

(b)(1) Notwithstanding the provision of section 683(a) or any other provision of law, a State may, for fiscal year 1982 only, make a determination that the State chooses not to operate programs under the block grant established by this subtitle. If the State makes such a determination, the State's allotment under section 674 shall be used within the State by the Secretary to carry out programs (in accordance with paragraph (4)) under the provisions of law in effect on September 30, 1981, but repealed by section 683(a).

(2) The provisions of paragraph (1) apply to the provisions of law referred to in such paragraph, regardless of whether there is a specific termination provision or other provision of law repealing or otherwise terminating any program subject to this Act.

(3) Each State which, pursuant to paragraph (1), determines to have the Secretary operate programs under the provisions of law in effect on September 30, 1981, but repealed by section 683(a), shall give notice to the Secretary of such determination. Such notice shall be submitted to the Secretary prior to the beginning of the first quarter of fiscal year 1982 and at least 30 days before the beginning of any other quarter during such fiscal year. For purposes of this section, the quarters for fiscal year 1982 shall commence on October 1, January 1, April 1, and July 1 of fiscal year 1982.

(4) In any case in which the Secretary carries out programs under paragraph (1), the Secretary shall provide for the carrying out of such programs by making grants for such purpose to eligible entities (as defined in section 673(1)).

(c) The Secretary shall provide such assistance to the States as the States may require in order to carry out the provisions of this section

(d) The Secretary may reserve not more than 5 percent of any State's allotment for administration of such State's programs under the block grant established by this subtitle, if such State has made a determination that the State chooses not to operate programs under the block grant established by this subtitle, and the Secretary is carrying out such State's programs under the provisions of law in effect on September 30, 1981.

(e) Upon the enactment of this Act, the Director of the Office of Management and Budget is authorized to provide for termination of the affairs of the Community Services Administration. He shall provide for the transfer or other disposition of personnel, assets, liabilities, grants, contracts, property, records and unexpended balances of appropriations, authorizations, allocations and other funds held, used, arising from, available to, or to be made available in connection with implementation of the authorities terminated by section 683(a) as necessary to effectuate the purposes of this subtitle.

REPEALER; REAUTHORIZATION PROVISIONS; TECHNICAL AND CONFORMING PROVISIONS

SEC. 683. (a) Effective October 1, 1981, the Economic Opportunity Act of 1964, other than titles VIII and X of such Act, is repealed.

(b) There is authorized to be appropriated such sums as may be necessary for each of the fiscal years 1982, 1983, and 1984, to carry out title VIII of the Economic Opportunity Act of 1964.

(c)(1) Any reference in any provision of law to the poverty line set forth in section 624 of the Economic Opportunity Act of 1964 shall be construed to be a reference to the poverty line defined in section 673(2) of this Act.

(2) Any reference in any provision of law to any community action agency designated under title II of the Economic Opportunity Act of 1964 shall be construed to be a reference to private nonprofit community organizations eligible to receive funds under this subtitle.

(3) No action or other proceeding commenced by or against any officer in the official capacity of such individual as an officer of any agency administering the Act repealed by subsection (a) of this section shall abate by reason of the enactment of this Act.

[From the Congressional Record, July 29, 1981]

THE "COMMUNITY ECONOMIC DEVELOPMENT ACT OF 1981" AS AUTHORIZED BY H.R. 3982, THE OMNIBUS BUDGET RECONCILIATION BILL

CHAPTER 8—Community Services Programs

Subchapter A—Community Economic Development

SHORT TITLE

SEC. 611. This subchapter may be cited as the "Community Economic Development Act of 1981".

STATEMENT OF PURPOSE

SEC. 612. The purpose of this subchapter is to encourage the development of special programs by which the residents of urban and rural low-income areas may, through self-help and mobilization of the community at large, with appropriate Federal assistance, improve the quality of their economic and social participation in community life in such a way as to contribute to the elimination of poverty and the establishment of permanent economic and social benefits.

DEFINITION

SEC. 613. For purposes of this subchapter the term "community development corporation" means a nonprofit organization responsible to residents of the area it serves which is receiving financial assistance under part I and any organization more than 50 percent of which is owned by such an organization, or otherwise controlled by such an organization, or designated by such an organization for the purpose of this subchapter.

SOURCE OF FUNDS

SEC. 614. The Secretary is authorized to use funds made available to the Secretary under section 681(b) for purposes of carrying out the provisions of this subchapter.

ADVISORY COMMUNITY INVESTMENT BOARDS

SEC. 615. (a)(1) The President is authorized to establish a National Advisory Community Investment Board (hereinafter in this section referred to as the "Investment Board"). Such Investment Board shall be composed of 15 members appointed, for staggered terms and without regard to the civil service laws, by the President, in consultation with the Secretary of Health and Human Services (hereinafter in this subchapter referred to as the "Secretary"). Such members shall be representative of the investment and business communities and appropriate fields of endeavor related to this subchapter. The Investment Board shall meet at the call of the chairperson, but not less often than 3 times each year. The Secretary and the administrator of

community economic development programs shall be ex officio members of the Investment Board.

(2) The Secretary shall carry out the provisions of this subchapter through the Office of Community Services established in section 676(a).

(b) The Investment Board shall promote cooperation between private investors and businesses and community development corporation projects through—

(1) advising the Secretary and the community development corporations on ways to facilitate private investment;

(2) advising businesses and other investors of opportunities in community development corporation projects; and

(3) advising the Secretary, community development corporations, and private investors and businesses of ways in which they might engage in mutually beneficial efforts.

(c) The governing body of each Community Development Corporation may establish an advisory community investment board composed of not to exceed 15 members who shall be appointed by the governing body after consultation with appropriate local officials. Each such board shall promote cooperation between private investors and businesses and the governing body of the Community Development Corporation through—

(1) advising the governing body on ways to facilitate private investors;

(2) advising businesses and other investors of opportunities in Community Development Corporation projects; and

(3) advising the governing body, private investors, and businesses of ways in which they might engage in mutually beneficial efforts.

PART I—URBAN AND RURAL SPECIAL IMPACT PROGRAMS

STATEMENT OF PURPOSE

SEC. 616. The purpose of this part is to establish special programs of assistance to nonprofit private locally initiated community development corporations which (1) are directed to the solution of the critical problems existing in particular communities or neighborhoods (defined without regard to political or other subdivisions or boundaries) within those urban and rural areas having concentrations or substantial numbers of low-income persons; (2) are of sufficient size, scope, and duration to have an appreciable impact in such communities, neighborhoods, and rural areas in arresting tendencies toward dependency, chronic unemployment, and community deterioration; (3) hold forth the prospect of continuing to have such impact after the termination of financial assistance under this part; and (4) provide financial and other assistance to start, expand, or locate enterprises in or near the area to be served so as to provide employment and ownership opportunities for residents of such areas, including those who are disadvantaged in the labor market because of their limited speaking, reading, and writing abilities in the English language.

ESTABLISHMENT AND SCOPE OF PROGRAMS

SEC. 617. (a) The Secretary is authorized to provide financial assistance in the form of grants to nonprofit and for profit community development corporations and other affiliated and supportive agencies and organizations associated with qualifying community development corporations for the payment of all or part of the cost of programs which are designed to carry out the purposes of this part. Financial assistance shall be provided, so that each community economic development program is of sufficient size, scope, and duration to have an appreciable impact on the area served. Such programs may include—

(1) community business and commercial development programs, including (A) programs which provide financial and other assistance (including equity capital) to start, expand, or locate businesses in or near the area served so as to provide employment and ownership opportunities for residents of such areas; and (B) programs for small businesses located in or owned by residents of such areas;

(2) community physical development programs, including industrial parks and housing activities, which contribute to an improved environment and which create new training, employment and ownership opportunities for residents of such area;

(3) training and public service employment programs and related services for unemployed or low-income persons which support and complement community development programs financed under this part, including, without limitation, activities such as those described in the Comprehensive Employment and Training Act; and

(4) social service programs which support and complement community business and commercial development programs financed under this part, including child care, educational services, health services, credit counseling, energy conservation, recreation services, and programs for the maintenance of housing facilities.

(b) The Secretry shall conduct programs assisted under this part so as to contribute, on an equitable basis between urban and rural areas, to the elimination of poverty and the establishment of permanent economic and social benefits in such areas.

FINANCIAL ASSISTANCE REQUIREMENTS

SEC. 618. (a) The Secretary, under such regulations as the Secretary may establish, shall not provide financial assistance for any community economic development program under this part unless the Secretary determines that—

(1) such community development corporation is responsible to residents of the area served (A) through a governing body not less than 50 percent of the members of which are area residents; and (B) in accordance with such other guidelines as may be established by the Secretary, except that the composition of the governing bodies of organizations owned or controlled by the community development corporation need not be subject to such residence requirement;

(2) the program will be appropriately coordinated with local planning under this subchapter with housing and community development programs, with employment and training programs, and with other relevant planning for physical and human resources in the areas served;

(3) adequate technical assistance is made available and committed to the programs being supported;

(4) such financial assistance will materially further the purposes of this part;

(5) the applicant is fulfilling or will fulfill a need for services, supplies, or facilities which is otherwise not being met;

(6) all projects and related facilities will, to the maximum feasible extent, be located in the areas served;

(7) projects will, where feasible, promote the development of entrepreneurial and management skills and the ownership or participation in ownership of assisted businesses and housing, cooperatively or otherwise, by residents of the area served;

(8) projects will be planned and carried out with the fullest possible participation of resident or local businessmen and representatives of financial institutions, including participation through contract, joint venture, partnership, stock ownership or membership on the governing boards or advisory councils of such projects consistent with the self-help purposes of this subchapter;

(9) no participant will be employed on projects involving political parties, or the construction, operation, or maintenance of so much of any facility as is used or to be used for sectarian instruction or as a place for religious worship;

(10) the program will not result in the displacement of employed workers or impair existing contracts for services, or result in the substitution of Federal or other funds in connection with work that would otherwise be performed;

(11) the rates of pay for time spent in work training and education, and other conditions of employment, will be appropriate and reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant;

(12) the program will, to the maximum extent feasible, contribute to the occupational development or upward mobility of individual participants;

(13) preference will be given to low-income or economically disadvantaged residents of the areas served in filling jobs and training opportunities; and

(14) training programs carried out in connection with projects financed under this part shall be designed whenever feasible to provide those persons who successfully complete such training with skills which are also in demand in communities, neighborhoods, or rural areas other than those for which programs are established under this part.

(b) Financial assistance under this section shall not be extended to assist in the relocation of establishments from one location to another if such relocation would result in a substantial increase in unemployment in the area of original location.

(c) Financial assistance for commercial development under this part shall not be extended until the community economic development program that has applied for assistance under this subchapter has specified in some detail its development goals and its development timetable. The Secretary, in providing continued financial assistance to a community economic development program, shall give serious consider-

ation to the experience such program has had in meeting development goals or in adhering to development timetables.

FEDERAL SHARE

SEC. 619. (a)(1) Assistance provided under this subchapter to any program described in section 618(a) shall not exceed 90 percent of the cost of such program, including costs of administration, unless the Secretary determines that the assistance in excess of such percentage is required in furtherance of the purposes of this subchapter. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services.

(2) The assistance referred to in paragraph (1) shall be made available (A) for deposit to the older of grantees which have demonstrated successful program performance, under conditions which the Secretary deems appropriate, within 30 days following approval of the grant agreement by the Secretary and such grantee; or (B) whenever the Secretary deems appropriate, in accordance with applicable rules and regulations prescribed by the Secretary of the Treasury, and including any other conditions which the Secretary of Health and Human Services deems appropriate, within 30 days following approval of the grant agreement by the Secretary and such grantee.

(b) Property acquired as a result of capital investments made by any community development corporation with funds granted as its Federal share of the cost of programs carried out under this subchapter, and the proceeds from such property, shall become the property of the community development corporation and shall not be considered to be Federal property. The Federal Government retains the right to direct that on severance of the grant relationship the assets purchased with grant funds shall continue to be used for the original purpose for which they were granted.

PART 2—SPECIAL RURAL PROGRAMS

STATEMENT OF PURPOSE

SEC. 620. It is the purpose of this part to meet the special economic needs of rural communities or areas with concentrations or substantial numbers of low-income persons by providing support to self-help programs which promote economic development and independence, as a supplement to existing similar programs conducted by other departments and agencies of the Federal Government. Such programs should encourage low-income families to pool their talents and resources so as to create and expand rural economic enterprise.

FINANCIAL ASSISTANCE

SEC. 621. (a) The Secretary is authorized to provide financial assistance, including loans having a maximum maturity of fifteen years and in amounts not resulting in an aggregate principal indebtedness of more than $3,500 at any one time, to any low-income rural family where, in the judgment of the Secretary, such financial assistance has a reasonable possibility of effecting a permanent increase in the income of such families, or will contribute to the improvement of their living housing conditions, by assisting or permitting them to—

(1) acquire or improve real estate or reduce encumbrances or erect improvements thereon;

(2) operate or improve the operation of farms not larger than family sized, including but not limited to the purchase of feed, seed, fertilizer, livestock, poultry, and equipment; or

(3) participate in cooperative associations, or finance nonagricultural enterprises which will enable such families to supplement their income.

(b) The Secretary is authorized to provide financial assistance to local cooperative associations or local public and private non-profit organizations or agencies in rural areas containing concentrations or substantial numers of low-income persons for the purpose of defraying all or part of the costs of establishing and operating cooperative programs for farming, purchasing, marketing, processing, and to improve their income as producers and their purchasing power as consumers, and to provide such essentials as credit and health services. Costs which may be defrayed shall include—

(1) administrative costs of staff and overhead;

(2) costs of planning and developing new enterprises;

(3) costs of acquiring technical assistance; and

(4) initial capital where it is determined by the Secretary that the poverty of the families participating in the program and the social conditions of the rural area require such assistance.

LIMITATION ON ASSISTANCE

SEC. 622. No financial assistance shall be provided under this part unless the Secretary determines that—

(1) any cooperative association receiving assistance has a minimum of fifteen active members, a majority of which are low-income rural persons;

(2) adequate technical assistance is made available and committed to the programs being supported;

(3) such financial assistance will materially further the purposes of this part; and

(4) the applicant is fulfilling or will fulfill a need for services, supplies, or facilities which is otherwise not being met.

PART 3—DEVELOPMENT LOANS TO COMMUNITY ECONOMIC DEVELOPMENT PROGRAMS

DEVELOPMENT LOAN FUND

SEC. 623. (a) The Secretary is authorized to make or guarantee loans (either directly or in cooperation with banks or other organizations through agreements to participate on an immediate or deferred basis) to community development corporations, to families and local cooperatives and the designated supportive organizations of cooperatives eligible for financial assistance under this subchapter, to private nonprofit organizations receiving assistance under subtitle B of this title, or to public and private non-profit organizations or agencies, for business facilities and community development projects, including community development credit unions, which the Secretary determines will carry out the purposes of this part. No loans, guarantees, or other financial assistance shall be provided under this section unless the Secretary determines that—

(1) there is reasonable assurance of repayment of the loan;

(2) the loan is not otherwise available on reasonable terms from private sources or other Federal, State, or local programs; and

(3) the amount of the loan, together with other funds available, is adequate to assure completion of the project or achievement of the purposes for which the loan is made. Loans made by the Secretary pursuant to this section shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the average market yield on outstanding Treasury obligations of comparable maturity, plus such additional charge, if any, toward covering other costs of the program as the Secretary of Health and Human Services may determine to be consistent with its purposes, except that, for the 5 years following the date in which funds are initially available to the borrower, the rate of interest shall be set at a rate considered appropriate by the Secretary in light of the particular needs of the borrower, which rate shall not be lower than 1 percent. All such loans shall be repayable within a period of not more than 30 years.

(b) The Secretary is authorized to adjust interest rates, grant moratoriums on repayment of principal and interest, collect or compromise any obligations held by the Secretary, and to take such other actions in respect to such loans as the Secretary shall determine to be necessary or appropriate, consistent with the purposes of this section.

(c)(1) To carry out the lending and guaranty functions authorized under this part, there shall be established a Development Loan Fund consisting of two separate accounts, one of which shall be a revolving fund called the Rural Development Loan Fund and the other of which shall be a revolving fund called the Community Development Loan Fund. The capital of each such revolving fund shall remain available until expended.

(2) The Rural Development Loan Fund shall consist of the remaining funds provided for in part A of title III of the Economic Opportunity Act of 1964, as in effect on September 19, 1972, and such amounts as may be deposited in such Fund by the Secretary out of funds made available from appropriations for purposes of carrying out this part. The Secretary shall utilize the services of the Farmers Home Administration in administering the Fund.

(3) The Community Development Loan Fund shall consist of such amounts as may be deposited in such fund by the Secretary out of funds made available from appropriations for purposes of carrying out this subchapter. The Secretary may make de-

pmits in the Community Development Loan Fund in any fiscal year in which the Secretary has made available for grants to community development corporations under this subchapter not less than $60,000,000 out of funds made available from appropriations for purposes of carrying out this subchapter.

ESTABLISHMENT OF MODEL COMMUNITY ECONOMIC DEVELOPMENT FINANCE CORPORATION

SEC. 624. To the extent he deems appropriate, the Secretary shall utilize funds available under this part to prepare a plan of action for the establishment of a Model Community Economic Development Finance Corporation to provide a user controlled independent and professionally operated long-term financing vehicle with the principal purpose of providing financial support for community economic development corporations, cooperatives, other affiliated and supportive agencies and organizations associated with community economic development corporations, and other entities eligible for assistance under this subchapter.

PART 4—SUPPORTIVE PROGRAMS AND ACTIVITIES

TRAINING AND TECHNICAL ASSISTANCE

SEC. 625. (a) The Secretary shall provide, directly or through grants, contracts, or other arrangements, such technical assistance and training of personnel as may be required to effectively implement the purposes of this subchapter. No financial assistance shall be provided to any public or private organization under this section unless the Secretary provides the beneficiaries of these services with opportunity to participate in the selection of and to review the quality and utility of the services furnished them by such organization.

(b) Technical assistance to community development corporations and both urban and rural cooperatives may include planning, management, legal assistance or support, preparation of feasibility studies, product development, marketing, and the provision of stipends to encourage skilled professionals to engage in full-time activities under the direction of a community organization financially assisted under this subchapter.

(c) Training for employees of community development corporations and for employees and members of urban and rural cooperatives shall include on-the-job training, classroom instruction, and scholarships to assist them in development, managerial, entrepreneurial, planning, and other technical and organizational skills which will contribute to the effectiveness of programs assisted under this subchapter.

SMALL BUSINESS ADMINISTRATION AND DEPARTMENT OF COMMERCE PROGRAMS

SEC. 626. (a)(1) Funds granted under this subchapter which are invested directly or indirectly, in a small investment company, local development company, limited small business investment company, or small business investment company licensee under section 301(d) of the Small Business Investment Act of 1958 shall be included as "private paid-in capital and paid-in surplus", "combined paid-in capital and paid-in surplus", and "paid-in capital" for purposes of sections 302, 303, and 502, respectively, of the Small Business Investment Act of 1958.

(2) Not later than 90 days after the date of the enactment of this Act, the Administrator of the Small Business Administration, after consultation with the Secretary, shall promulgate regulations to ensure the availability to community development corporations of such programs as shall further the purposes of this subchapter, including programs under section 8(a) of the Small Business Act.

(b)(1) Areas selected for assistance under this subchapter shall be deemed "redevelopment areas" within the meaning of section 401 of the Public Works and Economic Development Act of 1965, shall qualify for assistance under the provisions of title I and title II of such Act, and shall be deemed to have met the overall economic development program requirements of section 202(b)(10) of such Act.

(2) Not later than 90 days after the date of the enactment of this Act, the Secretary of Commerce shall prescribe regulations which will ensure that community development corporations and cooperatives shall qualify for assistance and shall be eligible to receive such assistance under all such programs of the Economic Development Administration as shall further the purposes of this subchapter.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS

SEC. 627. The Secretary of Housing and Urban Development, after consultation with the Secretary, shall take all necessary steps to assist community development

corporations and local cooperative associations to qualify for and receive (1) such assistance in connection with technical assistance, counseling to tenants and homeowners, and loans to sponsors of low-income and moderate-income housing under section 106 of the Housing and Urban Development Act of 1968, as amended by section 811 of the Housing and Community Development Act of 1974; (2) such land for housing and business location and expansion under title I of the Housing and Community Development Act of 1974; and (3) such funds for comprehensive planning under section 701 of the Housing Act of 1954, as amended by section 401 of the Housing and Community Development Act of 1974, as shall further the purposes of this subchapter.

DEPARTMENT OF AGRICULTURE AND FARMERS HOME ADMINISTRATION PROGRAMS

SEC. 628. The Secretary of Agriculture or, where appropriate, the Administrator of the Farmers Home Administration, after consultation with the Secretary of Health and Human Services, shall take all necessary steps to ensure that community development corporations and local cooperative associations shall qualify for and shall receive—

(1) such assistance in connection with housing development under the Housing Act of 1949, as amended;

(2) such assistance in connection with housing, business, industrial, and community development under the Consolidated Farmers Home Administration Act of 1961 and the Rural Development Act of 1972; and

(3) such further assistance under all such programs of the United States Department of Agriculture; as shall further the purposes of this subchapter.

COORDINATION AND ELIGIBLITY

SEC. 629. (a) The Secretary shall take all necessary and appropriate steps to encourage Federal departments and agencies and State and local governments to make grants, provide technical assistance, enter into contracts, and generally support and cooperate with community development corporations and local cooperative associations.

(b) Eligibility for assistance under other Federal programs shall not be denied to any applicant on the ground that it is a community development corporation or any other entity assisted under this subchapter.

EVALUATION AND RESEARCH

SEC. 630. (a) Each program for which grants are made under this subchapter shall provide for a thorough evaluation of the effectiveness of the program in achieving its purposes, which evaluation shall be conducted by such public or private organizations as the Secretary in consultation with existing grantees familiar with programs carried out under the Community Services Block Grant Act may designate, and all or part of the costs of evaluation may be paid from funds appropriated to carry out this part. In evaluating the performance of any community development corporation funded under part 1, the criteria for evaluation shall be based upon such program objectives, goals, and priorities as are consistent with the purposes of this subchapter and were set forth by such community development corporation in its proposal for funding as approved and agreed upon by or as subsequently modified from time to time by mutual agreement between the Secretary and such community development corporation.

(b) The Secretary shall conduct, either directly or through grants or other arrangements, research and demonstration projects designed to suggest new programs and policies to achieve the purposes of this subchapter in such ways as to provide opportunities for employment, ownership, and a better quality of life for low-income residents.

PLANNING GRANTS

SEC. 631. In order to facilitate the purposes of this subchapter, the Secretary is authorized to provide financial assistance to any public or private nonprofit agency or organization for planning for community economic development programs and cooperative programs under this subchapter.

NONDISCRIMINATION PROVISIONS

SEC. 632. (a) The Secretary shall not provide financial assistance for any program, project, or activity under this subchapter unless the grant or contract with respect

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thereto specifically provides that no person with responsibilities in the operation thereof will discriminate with respect to any such program, project, or activity because of race, creed, color, national origin, sex, political affiliation, or beliefs.

(b) No person in the United States shall on the ground of sex be excluded from participation in, be denied the benefits of, be subjected to discrimination under, or be denied employment in connection with any program or activity receiving assistance under this subchapter. The Secretary shall enforce the provisions of the preceding sentence in accordance with section 602 of the Civil Rights Act of 1964. Section 603 of such Act shall apply with respect to any action taken by the Secretary to enforce such sentence. This section shall not be construed as affecting any other legal remedy that a person may have if such person is excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in connection with, any program, project, or activity receiving assistance under this subchapter.

AVAILABILITY OF CERTAIN APPROPRIATED FUNDS

SEC. 633. Funds appropriated to the Rural Development Loan Fund under title VII of the Economic Opportunity Act of 1964 (as in effect on the day before the date of the enactment of this Act), and interest accumulated in such fund, shall be deposited in the Rural Development Loan Fund established under section 623(c)(1) and shall continue to be available to carry out the purposes of such fund. Funds appropriated to the Community Development Credit Union Revolving Loan Fund under title VII of the Economic Opportunity Act of 1964 (as in effect on the day before the date of the enactment of this Act), and interest accumulated in such fund, shall continue to be available to carry our the purposes of such fund.

[From the Congressional Record, July 29, 1981]

TITLE XVII OF H.R. 3982 THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981 (See Portion Marked on Page H5557)

TITLE XVII—CIVIL SERVICE AND POSTAL SERVICE PROGRAMS; GOVERNMENTAL AFFAIRS GENERALLY

Subtitle A—Civil Service Programs

4.8 PERCENT PAY CAP ON FEDERAL EMPLOYEES

SEC. 1701. (a) Notwithstanding any other provision of law, the overall percentage of the adjustment of the rates of pay under the General Schedule or any other statutory pay system under section 5305 of title 5, United States Code, which is to become effective with the first applicable pay period commencing on or after October 1, 1981, shall not exceed 4.8 percent.

(b)(1) Nothwithstanding any other provision of law, in the case of a prevailing rate employee described in section 5342(a)(2) of title 5, United States Code, or an employee covered by section 5348 of that title—

(A) any increase in the rate of pay payable to such employee which would result from the expiration of the limitation contained in section 114(a)(2) of Public Law 96-369 shall not take effect, and

(B) any adjustment under subchapter IV of chapter 53 of such title to any wage schedule or rate applicable to such employee which results from a wage survey and which is to become effective during the fiscal year beginning October 1, 1981, shall not exceed the amount which is 4.8 percent above the schedule or rate payable on September 30, 1981 (determined with regard to the limitation contained in section 114(a)(2) of Public Law 96-369).

(2) Notwithstanding the provisions of section 9(b) of Public Law 92-392 or section 704(b) of the Civil Service Reform Act of 1978, the provisions of paragraph (1) shall apply (in such manner as the Office of Personnel Management shall prescribe) to prevailing rate employees to whom such section 9(b) applies, except that the provisions of paragraph (1) shall not apply to any increase in a wage schedule or rate which is required by the terms of a contract entered into before the date of the enactment of this Act.

ANNUALIZATION OF COST-OF-LIVING ADJUSTMENT FOR FEDERAL EMPLOYEES

SEC. 1702. (a) Section 8340(b) of title 5, United States Code, is amended to read as follows:

"(b) Except as provided in subsection (c) of this section, effective March 1 of each year each annuity payable from the Fund having a commencing date not later than such March 1 shall be increased by the percent change in the price index published for December of the preceding year over the price index published for December of the year prior to the preceding year, adjusted to the nearest 1/10 of 1 percent.".

(b) Section 8340(c)(1) of title 5, United States Code, is amended to read as follows:

"(1) The first increase (if any) made under subsection (b) of this section to an annuity which is payable from the Fund to an employee or Member who retires, to the widow or widower of a deceased employee or Member, or to the widow or widower of a deceased annuitant whose annuity has not been increased under this subsection or subsection (b) of this section, shall be equal to the product (adjusted to the nearest 1/10 of 1 percent) of—

"(A) 1/12 of the applicable percent change computed under subsection (b) of this section, multiplied by

"(B) the number of months (counting any portion of a month as a month)—

"(i) for which the annuity was payable from the Fund before the effective date of the increase, or

"(ii) in the case of a widow or widower of a deceased annuitant whose annuity has not been so increased, since the annuity was first payable to the deceased annuitant.".

(c) The amendments made by this section shall take effect on the date of the enactment of this Act and shall apply to annuities which commence before, on, or after such date.

AWARDS FOR THE DISCLOSURE OF WASTE, FRAUD, AND MISMANAGEMENT

SEC. 1703. (a) Chapter 45 of title 5, United States Code, is amended by adding at the end thereof the following new subchapter:

"Subchapter II—Awards for Cost Savings Disclosures

"§ 4511. Definition and general provisions

"(a) For purposes of this subchapter, the term 'agency' means any Executive agency.

"(b) A cash award under this subchapter is in addition to the regular pay of the recipient. Acceptance of a cash award under this subchapter constitutes an agreement that the use by the Government of an idea, method, or device for which the award is made does not form the basis of a further claim of any nature against the Government by the employee, his heirs, or assigns.

"§ 4512. Agency awards for cost savings disclosures

"(a) The Inspector General of an agency or any other agency employee designated under subsection (b), may pay a cash award to any employee of such agency whose disclosure of fraud, waste, or mismanagement to the Inspector General of the agency, or to such other designated agency employee, has resulted in cost savings for the agency. The amount of an award under this section may not exceed the lesser of—

"(1) $10,000; or

"(2) an amount equal to 1 percent of the agency's cost savings which the Inspector General, or other employee designated under subsection (b), determines to be the total savings attributable to the employee's disclosure.

For purposes of paragraph (2), the Inspector General or other designated employee may take into account agency cost savings projected for subsequent fiscal years which will be attributable to such disclosure.

"(b) In the case of an agency for which there is no Inspector General, the head of the agency shall designate an agency employee who shall have the authority to make the determinations and grant the awards permitted under this section.

"(c)(1) The Inspector General, or other employee designated under subsection (b), shall submit to the Comptroller General documentation substantiating any award made under this section.

"(2) The Comptroller General shall, from time to time, review awards made under this section and procedures used in making such awards to verify the cost savings for which the awards were made.

"§ 4513. Presidential awards for cost savings disclosures

"The President may pay a cash award in the amount of $20,000 to any employee whose disclosure of fraud, waste, or mismanagement has resulted in substantial cost savings for the Government. In evaluating the significance of a cost savings disclosure made by an employee for purposes of determining whether to make an award to such employee under this section, the President may take into account cost savings projected for subsequent fiscal years which will be attributable to the disclosure. During any fiscal year, the President may not make more than 50 awards under this section.

"§ 4514. Expiration of authority

"No award may be made under this title after September 30, 1984.".

(b)(1) Chapter 45 of title 5, United States Code, is amended by inserting immediately before section 4501 the following new subchapter heading:

"Subchapter I—Awards for Superior Accomplishments".

(2) Chapter 45 of title 5, United States Code, is amended in sections 4501, 4502, 4505, and 4506, by striking out "chapter" each place it appears and inserting in lieu thereof "subchapter".

(3) The analysis for chapter 45 of title 5, United States Code, is amended—

(A) by inserting immediately after the chapter heading the following new item:

"Subchapter I—Awards for Superior Accomplishments"; and

(B) by inserting after the item relating to section 4507 the following:

"Subchapter II—Awards for Cost Savings Disclosures

"4511. Definition and general provisions.
"4512. Agency awards for cost savings disclosures.
"4513. Presidential awards for cost savings disclosures.
"4514. Expiration of authority.".

(c) The amendments made by this section shall take effect on October 1, 1981.

REDUCTIONS IN FORCE OF CAREER SENIOR EXECUTIVES

SEC. 1704. (a)(1) Chapter 35 of title 5, United States Code, relating to retention preference, restoration, and reemployment, is amended by redesignating section 3595 as section 3596 and by inserting after section 3594 the following new section:

"§ 3595. Reduction in force in the Senior Executive Service

"(a) An agency shall establish competitive procedures for determining who shall be removed from the Senior Executive Service in any reduction in force of career appointees within that agency. The competitive procedures shall be designed to assure that such determinations are primarily on the basis of performance, as determined under subchapter II of chapter 43 of this title.

"(b)(1) This subsection applies to any career appointee who has successfully completed the probationary period prescribed under section 3393(d) of this title.

"(2) Except as provided in paragraphs (4) and (5), a career appointee may not be removed from the Senior Executive Service due to a reduction in force within an agency.

"(3) A career appointee who, but for this subsection, would be removed from the Senior Executive Service due to a reduction in force within an agency—

"(A) is entitled to be assigned by the head of that agency to a vacant Senior Executive Service position for which the career appointee is qualified; or

"(B) if the agency head certifies, in writing, to the Office of Personnel Management that no such position is available in the agency, is entitled to be placed by the Office in any agency in any vacant Senior Executive Service position unless the head of that agency determines that the career appointee is not qualified for that position.

The Office of Personnel Management shall take all reasonable steps to place a career appointee under subparagraph (B) and may require any agency to take any action which the Office considers necessary to carry out any such placement.

"(4) A career appointee who is not assigned under paragraph (3)(A) may be removed from the Senior Executive Service and the civil service due to a reduction in force if—

"(A) the career appointee declines a reasonable offer for placement in a Senior Executive Service position under paragraph (3)(B); or

"(B) subject to paragraph (5), the career appointee is not placed in another Senior Executive Service position under paragraph (3)(B) within 120 days after the Office receives certification regarding that appointee under paragraph (3)(B).

"(5) An individual who was a career appointee on May 31, 1981, may be removed from the Senior Executive Service and the civil service due to a reduction in force after the 120-day period specified in paragraph (4)(B) only if the Director of the Office of Personnel Management certifies to the Committee on Post Office and Civil Service of the House of Representatives and the Committee on Governmental Affairs of the Senate, no later than 30 days prior to the effective date of such removal, that—

"(A) the Office has taken all reasonable steps to place the career appointee in accordance with paragraph (3) of this subsection, and

"(B) due to the highly specialized skills and experience of the career appointee, the Office has been unable to place the career appointee.

"(c) A career appointee is entitled to appeal to the Merit Systems Protection Board under section 7701 of this title—

"(1) whether the reduction in force complies with the competitive procedures required under subsection (a).

"(2) any removal under subsection (b)(4)(A), and

"(3) in the event the career appointee is not placed under subsection (b)(3) of this section whether the Office of Personnel Management took all reasonable steps to achieve such placement.

"(d) For purposes of this section, 'reduction in force' includes the elimination or modification of a position due to a reorganization, due to a lack of funds or curtailment of work, or due to any other factor.".

(2) The table of sections for chapter 35 of title 5, United States Code, is amended by striking out the item relating to section 3595 and inserting in lieu thereof the following:

"3595. Reduction in force in the Senior Executive Service.
"3596. Regulations.".

(b) Section 3593 of title 5, United States Code, is amended by adding at the end thereof the following new subsection:

"(c)(1) A former career appointee shall be reinstated, without regard to section 3393(b) and (c) of this title, to any vacant Senior Executive Service position in an agency for which the appointee is qualified if—

"(A) the individual was a career appointee on May 31, 1981;

"(B) the appointee was removed from the Senior Executive Service under section 3595 of this title due to a reduction in force in that agency;

"(C) before the removal occurred, the appointee successfully completed the probationary period established under section 3393(d) of this title; and

"(D) the appointee applies for that vacant position within one year after the Office receives certification regarding that appointee pursuant to section 3595(b)(3)(B) of this title.

"(2) A career appointee is entitled to appeal to the Merit Systems Protection Board under section 7701 of this title any determination by the agency that the appointee is not qualified for a position for which the appointee applies under paragraph (1) of this subsection.".

(c) Section 3393 of title 5, United States Code, is amended by adding at the end thereof the following new subsection:

"(g) A career appointee may not be removed from the Senior Executive Service or civil service except in accordance with the applicable provisions of sections 1207, 3592, 3595, 7532, or 7543 of this title.".

(d)(1) Section 7542 of title 5, United States Code, is amended by inserting "or 3595" after "3592".

(2) Section 7543(a) of title 5, United States Code, is amended by striking out "such cause" and all that follows down through the period and inserting in lieu thereof "misconduct, neglect of duty, or malfeasance.".

(e)(1) Subject to paragraph (2), the amendments made by this section shall be effective as of June 1, 1981.

(2)(A) Except as provided in subparagraph (B), the amendments made by this section shall apply to any career appointee removed from the civil service after May 31, 1981, and before the date of the enactment of this section if, not later than 14 days after such date of enactment, application therefor is made to the Office of Per-

sonnel Management and to the head of the agency in which the appointee was employed.

(B) The provisions of section 3595(a), as added by subsection (a)(1), shall take effect on the date of the enactment of this Act.

(3) The effectiveness of the amendments made by this section shall be subject to section 415(b) of the Civil Service Reform Act of 1978 (5 U.S.C. 3131 note) to the same extent and manner as the amendments made by title IV of that Act.

VOLUNTARY STATE INCOME TAX WITHHOLDING FOR ANNUITANTS

SEC. 1705. (a) Section 3345 of title 5, United States Code, is amended by adding at the end thereof the following new subsection:

"(k)(1) The Office shall, in accordance with this subsection, enter into an agreement with any State within 120 days of a request for agreement from the proper State official. The agreement shall provide that the Office shall withhold State income tax in the case of the monthly annuity of any anniutant who voluntarily requests, in writing, such withholding. The amounts withheld during any calendar quarter shall be held in the Fund and disbursed to the States during the month following that calendar quarter.

"(2) An annuitant may have in effect at any time only one request for withholding under this subsection, and an annuitant may not have more than two such requests in effect during any one calendar year.

"(3) Subject to paragraph (2) of this subsection, an annuitant may change the State designated by that annuitant for purposes of having withholdings made, and may request that the withholdings be remitted in accordance with such change. An annuitant also may revoke any request of that annuitant for withholding. Any change in the State designated or revocation is effective on the first day of the month after the month in which the request or the revocation is processed by the Office, but in no event later than on the first day of the second month beginning after the day on which such request or revocation is received by the Office.

"(4) This subsection does not give the consent of the United States to the application of a statute which imposes more burdensome requirements on the United States than on employers generally, or which subjects the United States or any annuitant to a penalty or liability because of this subsection. The Office may not accept pay from a State for services performed in withholding State income taxes from annuities. Any amount erroneously withheld from an annuity and paid to a State by the Office shall be repaid by the State in accordance with regulations issued by the Office.

"(5) For the purpose of this subsection, 'State' means a State, the District of Columbia, or any territory or possession of the United States.".

(b) The amendment made by subsection (a) shall take effect October 1, 1981.

(c) The Civil Service Retirement and Disability Fund is available for expenses incurred by the Office of Personnel Management in the initial implementation of the amendments made by this section.

Subtitle B—Savings Under the Postal Service Program

AUTHORIZATIONS FOR PUBLIC SERVICE APPROPRIATIONS

SEC. 1721. Section 2401(b)(1) of title 39, United States Code, is amended—

(1) in subparagraph (D), by striking out "an amount equal to 7 percent of such sum for fiscal year 1971" and inserting in lieu thereof "$250,000,000";

(2) in subparagraph (E), by striking out "an amount equal to 6 percent of such sum for fiscal year 1971" and inserting in lieu thereof "$100,000,000"; and

(3) in subparagraph (F), by striking out "an amount equal to 5 percent of such sum for fiscal year 1971" and inserting in lieu thereof "no funds are authorized to be appropriated".

CONTINUATION OF SIX-DAY MAIL DELIVERY

SEC. 1722. During fiscal years 1982 through 1984, the Postal Service shall take no action to reduce or to plan to reduce the number of days each week for regular mail delivery.

REDUCTION OF AUTHORIZATION FOR REVENUE FOREGONE

SEC. 1723. (a) Notwithstanding section 2401(c) of title 39, United States Code, the amount authorized to be appropriated under such section shall not exceed—

(1) $696,000,000 for fiscal year 1982;

(2) $708,000,000 for fiscal year 1983; or

(3) $760,000,000 for fiscal year 1984.

(b)(1) If during any of the fiscal years 1982 through 1984, the amount which would have been authorized to be appropriated under section 2401(c) of title 39, United States Code, if this section were not enacted exceeds the amount authorized to be appropriated by subsection (a) of this section for that fiscal year, the rates for the class of mail under former sections 4452(b) and 4452(c) of such title shall be adjusted (in the same manner as rates are adjusted under section 3627 of such title) so that the increased revenues received from the users of such class of mail will equal the amount of such difference. During such fiscal years, adjustments in rates under such section 3627 as a result of a failure of appropriations (as described by that section) may be made under section 3627 only to the extent permitted under paragraph (2) of this subsection.

(2) If during any of the fiscal years 1982 through 1984 the Congress fails to appropriate the maximum amount authorized by subsection (a) of this section for purposes of section 2401(c) of title 39, United States Code, then rates for any class of mail sent at a free or reduced rate under section 3217 or section 3626 of such title 39, under the Federal Voting Assistance Act of 1955, or under the Overseas Citizens Voting Rights Act of 1975, may be adjusted during such fiscal year in accordance with section 3627 of title 39, United States Code, in order to provide for additional revenues equal to the difference between (A) the maximum amount authorized to be appropriated for such fiscal year by subsection (a) of this section, and (B) any lesser amount actually appropriated for such fiscal year for purposes of section 2401(c) of title 39, United States Code.

REDUCTION OF TRANSITIONAL APPROPRIATIONS

SEC. 1724. (a) Notwithstanding the authorization contained in section 2004 of title 39, United States Code, no sums are authorized to be appropriated to the Fund for the purposes of such section during fiscal years 1982 through 1984. During fiscal year 1985, there are authorized to be appropriated to the Fund such amounts as may be necessary to carry out such section during such fiscal year, together with such amounts as would have been available to the Fund for fiscal years 1982 through 1984 were this section not enacted.

(b) From amounts available to the Postal Service from the Fund, during fiscal years 1982 through 1984 the Postal Service shall meet the transitional expenses referred to under section 2004 of title 39, United States Code, to the same extent as the Postal Service would have met such expenses were subsection (a) of this section not enacted.

QUARTERLY PAYMENTS OF APPROPRIATIONS TO THE POSTAL SERVICE FUND

SEC. 1725. Section 2003(e) of title 39, United States Code, is amended—

(1) by inserting "(1)" after "(e)"; and

(2) by adding at the end thereof the following:

"(2) Funds appropriated to the Postal Service under sections 2401 and 2004 of this title shall be apportioned as provided in this paragraph. From the total amounts appropriated to the Postal Service for any fiscal year under the authorizations contained in sections 2401 and 2004 of this title, the Secretary of the Treasury shall make available to the Postal Service 25 per cent of such amount at the beginning of each quarter of such fiscal year.".

PROHIBITION OF 9-DIGIT ZIP CODE

SEC. 1726. (a) The Postal Service shall not implement any ZIP code system using more than 5 digits before October 1, 1983. This subsection shall not be construed as precluding the Postal Service or the Postal Rate Commission from taking such actions as may be required before October 1, 1983, to prepare for the implementation of such a ZIP code system.

(b) During the period beginning on the date of the enactment of this Act and ending December 31, 1982, no Executive agency shall take any action to conform its mailing procedures to those appropriate for use under any ZIP code system using more than 5 digits. As used in this subsection, the term "Executive agency" has the same meaning given such term by section 105 of title 5, United States Code.

EFFECTIVE DATE

SEC. 1727. The provisions of this subtitle (other than section 1726 and this section) shall take effect on October 1, 1981. The provisions of sections 1726 and this section shall take effect on the date of the enactment of this Act.

Subtitle C—Governmental Affairs Generally

CHAPTER 1—CONSULTANTS AND TRAVEL

REDUCTION IN EXPENDITURES FOR CONSULTANTS

SEC. 1731. (a) The President shall submit with the Budget of the United States Government transmitted by the President under section 201(a) of the Budget and Accounting Act, 1921, in January, 1982, a rescission bill (as that term is defined in section 1011(3) of the Impoundment Control Act of 1974) to reduce by the amount described in subsection (b) the total amount of funds appropriated for the fiscal year 1982 which may be obligated for consultant services, management and professional services, and special studies and analyses for all departments, agencies, and instrumentalities of the executive branch of the Government. Such bill shall be accompanied by a special message specifying the matters required by paragraphs (1) through (5) of section 1012(a) of the Impoundment Control Act of 1974 with respect to the rescission proposal and shall specifically allocate the reduction in such total amount required by the preceding sentence among the departments, agencies, and instrumentalities of the executive branch.

(b) The amount of the reduction referred to in subsection (a) shall be $500,000,000 less the difference between—

(1) the amounts which can be identified for the consultant services, management and professional services, and special studies and analyses referred to in subsection (a) in the Budget of the United States Government for the fiscal year 1982 which was transmitted by the President on January 15, 1981, under section 201(a) of the Budget and Accounting Act, 1921, and

(2) the amounts appropriated for the fiscal year 1982 for such purposes,

to the extent that the amounts described in paragraph (1) exceed the amounts described in paragraph (2). The special message required by subsection (a) shall identify the amounts in appropriations Acts and the amounts in the Budget of the United States Government on the basis of which the reduction described in this subsection is calculated.

REDUCTION IN EXPENDITURES FOR TRAVEL BY FEDERAL EMPLOYEES

SEC. 1732. (a) The President shall submit with the Budget of the United States Government transmitted by the President under section 201(a) of the Budget and Accounting Act, 1921, in January, 1982, a rescission bill (as that term is defined in section 1011(3) of the Impoundment Control Act of 1974) to reduce by the amount described in subsection (b) the total amount of funds appropriated for the fiscal year 1982 which may be obligated for direct administrative travel for all departments, agencies, and instrumentalities of the executive branch of the Government. Such bill shall be accompanied by a special message specifying the matters required by paragraphs (1) through (5) of section 1012(a) of the Impoundment Control Act of 1974 with respect to the rescission proposal and shall specifically allocate the reduction in such total amount required by the preceding sentence among the departments, agencies, and instrumentalities of the executive branch. In making such allocation, the President shall not—

(1) propose the reduction of any amounts to be obligated for debt collection, supervision of loans, necessary and essential law enforcement activities, or emergency national defense activities of the Federal Government; or

(2) propose the reduction of the total amount which may be obligated by any department, agency, or instrumentality for direct administrative travel for officers and employees of such department, agency, or instrumentality by more than 15 percent of the amount proposed thereof in such budget.

(b) The amount of the reduction referred to in subsection (a) shall be $100,000,000 less the difference between—

(1) the amounts which can be identified for the direct administrative travel referred to in subsection (a) in the Budget of the United States Government for the fiscal year 1982 which was transmitted by the President on January 15, 1981, under section 201(a) of the Budget and Accounting Act, 1921, and

(2) the amounts appropriated for the fiscal year 1982 for such purposes,

to the extent that the amounts described in paragraph (1) exceed the amounts described in paragraph (2). The special message required by subsection (a) shall identify the amounts in the appropriations Acts and the amounts in the Budget of the United States Government on the basis of which the reduction described in this subsection is calculated.

CHAPTER 2—BLOCK GRANT FUNDS

DISTRIBUTION OF BLOCK GRANT FUNDS

SEC. 1741. (a) To help assure that (1) block grant funds are allocated for programs of special importance to meet the needs of local governments, their residents, and other eligible entities, and (2) all eligible urban and rural local governments, their residents, and other eligible entities are treated fairly in the distribution of such funds, each State which receives block grant funds under this Act shall comply with the requirements of this chapter, to the extent that such funds may be used at the discretion of the State, as described in subsection (b)(1)(B).

(b) For purposes of this chapter—

(1) block grant funds are funds which are received for a program—

(A) which provides for the direct allocation of funds to State only, except for the allocation of funds for use by the Federal agency administering the program; and

(B) which provides funds that may be used at the discretion of the State, in whole or in part, for the purpose of continuing to support activities funded, immediately before the date of the enactment of this Act, under programs the authorizations of which are discontinued by this Act and which were funded, immediately before such date of the enactment, by Federal Government allocations to units of local government or other eligible entities, or both; and

(2) "State" includes the District of Columbia and any territory or possession of the United States.

REPORTS ON PROPOSED USE OF FUNDS; PUBLIC HEARINGS

SEC. 1742. (a) Each State shall prepare a report on the proposed use of block grant funds received by that State, including (1) a statement of goals and objectives, (2) information on the types of activities to be supported, geographic areas to be served, and categories or characteristics of individuals to be served, and (3) the criteria and method established for the distribution of the funds, including details on how the distribution of funds will be targeted on the basis of need to achieve the purposes of the block grant funds. Beginning in the fiscal year 1983, the report required by this subsection shall include a description of how the State has met the goals, objectives, and needs in the use of funds for the previous fiscal year as identified in the report prepared pursuant to this subsection for that previous fiscal year.

(b) The report prepared by a State pursuant to subsection (a), and any changes in such report, shall be made public within the State on a timely basis and in such manner as to facilitate comments from interested local governments and persons.

(c) No State may receive block grant funds for any fiscal year until the State has conducted a public hearing, after adequate public notice, on the use and distribution of the funds proposed by the State as set forth in the report prepared pursuant to subsection (a) with respect to that fiscal year.

TRANSITION PROVISION

SEC. 1743. (a) In the fiscal year 1982 only, each State shall certify to the responsible Federal agency that it is in compliance with section 1742 and that it is prepared to use all or part of available block grant funds. Such certifications shall be submitted to the responsible Federal agency prior to the beginning of the first quarter of the fiscal year 1982 or at least 30 days before the beginning of any other quarter of that fiscal year. For purposes of this section, the quarters for the fiscal year 1982 shall commence on October 1, January 1, April 1, and July 1 of the fiscal year 1982.

(b) Except as otherwise provided in this Act, until such time as the responsible Federal agency receives a certification from a State pursuant to subsection (a), such agency shall distribute the block grant funds involved for programs to which the funds relate and which are discontinued by this Act as referred to in section 1741(b)(1)(B).

ACCESS TO RECORDS BY COMPTROLLER GENERAL

SEC. 1744. For the purpose of evaluating and reviewing the use of block grant funds, consolidated assistance, or other grant programs established or provided for by this Act, the Comptroller General shall have access to any books, accounts, records, correspondence, or other documents that are related to such funds, assistance, or programs, and that are in the possession, custody, or control of States, political subdivisions thereof, or any of the grantees of such States or political subdivisions.

STATE AUDITING REQUIREMENTS

SEC. 1745. (a) Each State shall conduct financial and compliance audits of any block grant funds which the State receives under this Act and any funds which the State receives under any consolidate assistance program established or provided for by this Act.

(b) Any audit required by subsection (a) shall be conducted with respect to the 2-year period beginning on October 1, 1981, and with respect to each 2-year period thereafter.

(c) Any audit required by subsection (a) shall, insofar as is practicable, be conducted in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, activities, and functions.

(d) The audit of funds by a State required by subsection (a) shall be conducted in lieu of any other financial and compliance audit of the same funds which the State is required to conduct under any other provision of this Act, unless such other provision, by explicit reference to this section, otherwise provides.

[From the Congressional Record, July 29, 1981]

CONFERENCE REPORT LANGUAGE ON TITLE XVII OF H.R. 3982, THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981 (See Pages Marked on pp. 5696–5697)

TITLE XVII

SUBTITLE A—CIVIL SERVICE PROVISIONS

Pay cap on Federal employees (Section 1701)

Section 10001 of the House bill and section 901 of the Senate amendment provide that the fiscal year 1982 pay adjustment for both General Schedule and prevailing rate employees shall not exceed 4.8 percent. Under both bills, the President's authority to submit an alternative pay plan calling for even a lower pay adjustment is not disturbed. The House bill, but not the Senate amendment, limits the fiscal year 1983 and fiscal year 1984 pay adjustment to 7 percent each year.

The House recedes to the Senate.

Annualization of cost-of-living adjustments (Section 1702)

Section 10002 of the house bill and section 902 of the Senate amendment amend the civil service retirement law to shift from twice-a-year to once-a-year cost-of-living adjustments for civil service retirees and their survivors. Under the amendment the September COLA is eliminated and the March COLA is based on the change in the consumer price index occurring over the preceding 12-month period ending in December. As a result of a provision contained in the Department of Defense authorization bill for fiscal year 1981 (Public Law 96–342), this amendment will trigger an identical change in the cost-of-living adjustments for military retirees.

Coordination of Federal employees health benefits program and medicare

Section 10003 of the House bill amends the Federal Employees Health Benefits (FEHB) law to prohibit any FEHB plan from paying for any item or service for any individual who is covered under Medicare if payment would be made for such item or service by Medicare if the individual were not covered under the FEHB program. The effect of this amendment is to fix in law the existing relationship between Medicare and the FEHBP. Under existing law, Medicare is the primary payor of medical expenses of retired Federal employees who are eligible for Medicare benefits and the FEHBP provides supplemental coverage.

The Senate amendment contains no comparable provisions.

The House recedes to the Senate.

Awards for the disclosure of waste, fraud, and mismanagement (Section 1703)

Section 10004 of the house bill authorizes payment of cash awards to employees whose disclosures of waste, fraud, or mismanagement result in cost savings to the Government. At the agency level, Inspectors General are authorized to pay cash awards limited to the lesser of $10,000 or one percent of the agency's cost savings. The President is authorized to give up to 50 awards of $20,000 each year to employees whose disclosures result in sustantial cost savings to the Government.

The Senate amendment contains no comparable provisions.

The conferees agreed to the House provision with two significant amendments. The first amendment requires the agency Inspectors General to furnish to the Comptroller General documentation substantiating any cash award made under the new provisions. The Comptroller General is required to review periodically both the awards which are made by the Inspectors General and the procedures used in making such awards in order to verify the cost savings for which the awards were made. The Comptroller General oversight requirement was added by the conferees to assure integrity in the cash awards program. The conferees want assurance that awards are made only for real cost savings and not for cost savings achieved merely by shifting costs to another agency or by contracting work out to the private sector.

The second amendment agreed to by the conferees provides that no award may be made under the new cash awards program after September 30, 1984. The three-year life of the program conforms with the three-year reconciliation instructions and provides opportunity for Congressional review of the effectiveness of the cash awards program.

Reductions in force of career senior executives (Section 1704)

Section 10005 of the House bill provides that a career appointee in the Senior Executive Service (SES) whose position is abolished or modified due to a reduction in force is entitled to be assigned to another SES position for which the appointee is qualified. If no suitable position is available in the agency, the Office of Personnel Management (OPM) must place the career appointee in an SES position in some other agency of the Government. An appointee who is not reassigned within his agency and who declines a reasonable offer of placement by OPM may be removed from the civil service. A removed appointee may challenge the reasonableness of the placement offer by appealing to the Merit Systems Protection Board (MSPB).

The Senate amendment contains no comparable provision. The conferees agreed to the House provision with an amendment making several changes discussed below.

The conference report provides that agencies must establish competitive procedures for determining who shall be removed from the Senior Executive Service in any reduction in force of career appointees. It also provides that such determinations shall be based primarily on the performance of the appointees subject to the reduction in force.

The conference report generally retains the House provisions protecting career appointees, although only those who have completed the required probation period are protected. Under existing law, appointees removed during the probationary period already have certain protection. The conferees intend that individuals who were not required to complete probationary periods because they converted to career SES appointments under section 413 of the Civil Service Reform Act of 1978, shall be deemed to have successfully completed a probationary period for purposes of qualifying for the protection provided.

One major modification permits the removal of a career appointee whom OPM is unable to place during the 120-day period following certification by the employing agency head that there is no vacant SES position in that agency for which the career appointee is qualified. The report also expressly provides that OPM must take all reasonable steps to place a career appointee, and that it is the agency head who makes the determination of whether a career appointee is qualified for any position to which placement is proposed. Until a career appointee is either placed by OPM or removed, the appointee remains on the agency payroll. An appointee who is removed is entitled to severance pay under section 5595 of title 5, United States Code.

The conference report retains the House provision permitting a career appointee to appeal any removal for failure to accept a reasonable offer for placement and provides additional appeal rights with respect to (1) whether an agency reduction in force complied with the competitive procedures required and (2) in the event the

career appointee is not placed in a position by OPM whether OPM took all reasonable steps to place the career appointee.

The conference report provides additional protection for those career appointees who were on board on May 31, 1981. Such a career appointee may not be removed as the result of a reduction in force unless the Director of OPM certifies to the Committees on Post Office and Civil Service and Governmental Affairs that (1) the Office has taken all reasonable steps to place the career appointee, and (2) due to the highly specialized skills and experience of the career appointee, the Office has been unable to place the career appointee. In addition, such a career appointee, if removed due to a reduction in force, is entitled to be reinstated to any vacant SES position in his former agency for which he is qualified if he applies for that vacant position within one year after OPM receives the agency head's certification discussed above. An appointee may appeal to MSPB an agency head's determination that he is not qualified for the position to which he is seeking reinstatement.

The conference report retains those provisions of the House bill which amend subchapter V of chapter 75 of title 5, United States Code, to ensure the procedures therein relating to removal or suspension of career appointees are limited to cases involving disciplinary action. Consistent with existing policy, the conferees intend that failure to accept a directed reassignment or failure to accompany a position in a transfer of function would constitute grounds for disciplinary action under the subchapter. The regulatory authority of OPM is unchanged by these provisions, and the conferees stress that any exercise of this regulatory authority should be consistent with the provisions of section 2302(b)(10) of title 5, concerning the relationship between conduct and job performance.

Voluntary State income tax withholding for annuitant (Section 1705)

Section 10006 of the House bill requires the Office of Personnel Management to enter into agreements with States to withhold State income taxes from the annuities of civil service annuitants who request such withholdings. The amounts withheld will be disbursed to the States on a quarterly basis.

The Senate amendment contains no comparable provisions.

The conferees agreed to the House provision with several technical amendments designed to assist the Office of Personnel Management in the administration of the new withholding provisions.

The first amendment provides that the amounts withheld from annuities for State income taxes shall be held in the Civil Service Retirement Fund pending quarterly disbursement to the States. This ensures that any interest earned on such amounts will accrue to the benefit of the Fund.

The second amendment limits the number of withholding requests that an annuitant may have in effect to two requests during any one calendar year.

The third amendment provides that any change in withholding requested by an annuitant shall be effective on the first day of the month after the month in which the request for change is processed by OPM but in no event later than on the first day of the second month beginning after the day the request is received by OPM. This amendment will allow OPM at least 30 days in which to act on an annuitant's request even when the request is received at the end of the month.

The fourth amendment provides authority for OPM to collect any erroneous payments to States which may occur under the withholding program.

The final amendment makes the Civil Service Retirement and Disability Fund available for any administrative expenses incurred by OPM in the initial implementation of the withholding program.

SUBTITLE B—POSTAL SERVICE PROVISIONS

Authorizations for public service appropriations (Section 1721)

Section 10101 of the House bill authorizes $200 million for FY 1982, $100 million for FY 1983, and zero for FY 1984, resulting in savings of $444 million, $452 million, and $460 million respectively. The House bill does not alter the existing permanent authorization of $460 million for each year after FY 1984.

Section 903 of the Senate amendment authorizes $300 million for FY 1982, $150 million for FY 1983, and zero for FY 1984, resulting in savings of $344 million, $402 million, and $460 million respectively. The Senate amendment eliminates the existing permanent authorization of $460 million for each year after FY 1984.

The Senate recedes to the House with an amendment providing for an authorization of $250 million for FY 1982.

Continuation of six-day mail delivery (Section 1722)

Section 10102 of the House bill provides that, during fiscal years 1982 through 1984, the Postal Service shall take no action to reduce or to plan to reduce the number of days each week for regular mail delivery.

The Senate amendment contains no comparable provision.

The Senate recedes to the House.

Reduction of authorization for revenue foregone (Section 1723)

Section 10103 of the House bill reduces authorizations to $728 million for FY 1982, $792 million for FY 1983, and $877 million for FY 1984, resulting in savings of $384 million, $383 million, and $424 million respectively. The savings are achieved by terminating the "phasing" authorization for second-class in-county mail and for third-class bulk nonprofit mail, and by reducing the authorizations for the other second-class and fourth-class subclasses by 10% in FY 1982, 10% in FY 1983, and 20% in FY 1984.

Section 903 of the Senate amendment permanently "caps" the total revenue foregone authorization for all subsidized classes of mail at $500 million for FY 1982 and every year thereafter. The resultant savings are $612 million for FY 1982, $675 million for FY 1983, and $801 million for FY 1984.

The conference report provides that the amount authorized to be appropriated for revenue foregone shall not exceed $696 million for FY 1982, $708 million for FY 1983, and $760 million for FY 1984. Authorizations for years after FY 1984 are not altered by the conference report.

The conference report further provides that if, in any of these three fiscal years, the full amount which would have been authorized to be appropriated for revenue foregone exceeds these limitations, the Postal Service will adjust rates for third-class bulk nonprofit mail to the level necessary to recover the difference in the two amounts. And so, for example, if the amount necessary to fully fund revenue foregone for FY 1982 is $780 million, the shortfall resulting from the limitation of $696 million would be $84 million. The Postal Service would then adjust the third-class bulk nonprofit rates to the level necessary to recover that $84 million. That adjustment would be made in accordance with the same procedure used to adjust rates under section 3627 of title 39, Unitd States Code. The Postal Service need not seek a recommended decision from the Postal Rate Commission.

The conference agreement further provides that if, for any of the three fiscal years, the amount actually appropriated for revenue foregone is less than the maximum amount of the limitation imposed by the conference agreement, then the difference between those two figures may be recovered by the Postal Service by adjusting rates for all subsidized classes of mail (except the free for the blind and handicapped class) in accordance with section 3627 of title 39, United States Code. And so, for example, the maximum amount authorized to be appropriated for revenue foregone for FY 1982 is $696 million. If the amount necessary to fully fund revenue foregone for FY 1982 is $780 million, but Congress only appropriates $600 million, under the conference agreement the following would happen. First, the difference between the authorized maximum amount for FY 1982 ($696 million) and the full funding amunt ($780 million) would be recovered by the Postal Service by adjusting third-class bulk nonprofit rates. Then, the difference between the authorized maximum amount for FY 1982 ($696 million) and the amount actually appropriated ($600 million), would be subject to recovery by the Postal Service in accordance with section 3627 of title 39, United States Code, which would entail proportional rate adjustments for all subsidized classes of mail (including all second-class, third-class, and fourth-class categories), except that the free for the blind and handicapped class is completely exempted from adjustment by the conference agreement.

Reduction of transitional appropriations (Section 1724)

Section 10104 of the House bill defers until FY 1985 the authorization of $69 million for FY 1982, $69 million for FY 1983, and $51 million for FY 1984, and requires that the Postal Service meet its transitional obligations from other revenues.

The Senate amendment contains no comparable provision.

The Senate recedes to the House.

Quarterly payments of appropriations to the Postal Service fund (Section 1775)

Section 10105 of the House bill requires that yearly appropriations to the Postal Service pursuant to sections 2401 and 2004 of title 39, United States Code, be made in equal quarterly segments, rather than in one lump sum, as under current law.

This provision would result in interest savings to the U.S. Treasury of $46 million in FY 1982, $39 million in FY 1983, and $34 million in FY 1984.

The Senate bill contains no comparable provision.

The Senate recedes to the House.

Prohibition of 9-digit zip code (Section 1726)

Section 10106 of the House bill prohibits the Postal Service from taking any action to implement its "ZIP + 4" program during the period beginning on the date of the bill's enactment and ending on September 30, 1983. During the same period, no Executive agency is permitted to take any action to conform its mailing procedures to the requirements of the "ZIP + 4" program.

The Senate amendment contains no comparable provision.

The conference report prohibits the Postal Service from implementing the "ZIP + 4 program before October 1, 1983, but allows the Postal Service to take all steps preparatory to implementation. These steps include, but are not limited to, the purchase of optical character readers, channel sorting machines, bar code printers, and all other necessary equipment; the dissemination of information concerning the program; assistance to mailers who convert their mailing procedures to conform to the new program; the training of personnel in the operation of the new system; and any necessary litigation before the Postal Rate Commission or the Federal courts.

The conferees intend that the Postal Service shall be prohibited from offering any rate discount for nine-digit coded mail before October 1, 1983.

Although the Postal Service may install the necessary equipment for use with "ZIP + 4", the conferees intend that, prior to October 1, 1983, it may be used only with existing 5-digit ZIP codes, except that 9-digit testing by mailers and the Postal Service may begin as currently scheduled in January 1983.

The conference report prohibits any Executive agency from taking any steps to conform its mailing procedures to the requirements of the "ZIP + 4" program before January 1, 1983.

The conferees agree to ask the General Accounting Office to study the "ZIP + 4" system and report its findings to Congress on December 1, 1982. GAO will be directed to study the accuracy and reliability of the new machinery and the cost effectiveness of the "ZIP + 4" system as a whole; in addition GAO will be asked to suggest improvements in the Postal Service proposal.

Effective date (Section 1727)

Section 10107 of the House bill specifies that the bill's postal provisions shall take effect on October 1, 1981, except for section 10106 (the ZIP code provision), which shall be effective upon enactment.

The Senate amendment contains no comparable provision.

The conference agreement provides that its postal provisions shall take effect on October 1, 1981, except that the ZIP code provision (and the effective date provision itself) shall take effect upon enactment.

Subtitle C—Governmental Affairs Generally

Part 1—Consultants and Travel

Section 1731—Reduction in Expenditures for Consultants

House bill.—The House bill contains no provision relating to reduction in expenditures for consultants.

Senate amendment—Section 905 of the Senate amendment requires a reduction in obligations for consultant services, management and professional services, and special studies and analyses for all departments, agencies, and instrumentalities of the Executive Branch. Such obligations are to be $500 million less than the total proposed in the President's Budget for fiscal year 1982, as amended and supplemented. The Director of the Office of Management and Budget is responsible for allocating such reductions among the departments, agencies, and instrumentalities of the Executive Branch.

Conference agreements.—The conferees agreed to the Senate provisions with an amendment.

Under Section 1731, as agreed upon by the conference, the President is to submit a rescission bill in January 1982 to reduce the amount of funds appropriated for fiscal year 1982 which may be obligated for consultant services, management and professional services, and special studies and analyses for the Executive Branch.

The bill must be accompanied by a special message containing matters required under the impoundment Control Act and must allocate the reduction within the Executive Branch.

The amount of reduction required to be contained in the recission bill is $500 million less the difference between the amounts which can be identified in the January 15, 1981, Budget for fiscal year 1982 for consultant services, management and professional services, and special studies and analyses and the amounts appropriated for fiscal year 1982 for such purposes. The special message accompanying the rescission bill must identify amounts in the appropriations acts and in the budget on the basis of which the reduction is calculated.

For purposes of this provision, the conferees expect that the Executive Branch's definition of the types of services included, as found in Executive Branch directives including OMB Circular A-120, OMB Bulletin 81-8, and Federal Procurement Data System codes R401-R499 and R501-R599, will be used in order to facilitate a uniform and consistent application of the provision.

SECTION 1732—REDUCTION IN EXPENDITURES FOR TRAVEL BY FEDERAL EMPLOYEES

House bill.—The House bill contains no provision relating to reduction in expenditures for travel by Federal employees.

Senate amendments.—Section 906 of the Senate amendment requires a reduction in obligations for travel and transportation of persons and transportation of things for officers and employees of all departments, agencies, and instrumentalities of the Executive Branch. Such obligations are to be $550 million less than the total proposed in the President's Budget for fiscal year 1982, as amended and supplemented. The director of the Office of Management and Budget is responsible for allocating such reductions among the departments, agencies, and instrumentalities. The Director is prohibited from reducing amounts to be allocated for debt collection, supervision of loans, necessary and essential law enforcement activities, all emergency defense activities. In addition, no department's obligations for such items may be reduced by more than fifteen percent of the amount proposed in the fiscal year 1982 Budget.

Conference agreement.—The conferees agreed to the Senate provision with an amendment. Section 1732 will effect a $100 million reduction in the direct administrative travel of persons within the Executive Branch of the Federal Government. Under this section, the President is required to submit a rescission bill in January 1982 to reduce the amount which may be obligated for direct administrative travel of persons within the Executive Branch. The amount of the reduction required to be contained in the rescission bill shall be $100 million less the difference between the amounts which can be identified in the Budget for Fiscal Year 1982 transmitted on January 15, 1981, for direct administrative travel, and the amounts appropriated for fiscal year 1982 for such purposes.

A special message specifically allocating the reduction within the Executive Branch must accompany the rescission bill. The special message must also identify amounts in the appropriations acts and in the budget on the basis of which the reduction is calculated.

The President's allocation of such reductions contains the same restrictions as did Section 905 of the Senate amendment.

PART 2—BLOCK GRANT FUNDS

House bill.—Title XVI of the House bill sets forth administrative and procedural requirements that must be met by States receiving block grant funds. The individual provisions of Title XVI of the House bill are as follows:

SECTION 1601—DISTRIBUTION OF BLOCK GRANT FUNDS

Section 1601(a) provides a generic description of the block grant programs which are to be subject to the requirements of Title XVI. Such programs are those receiving funds under the Budget Reconcilliation Act or any other law, as long as they (1) distribution money only to States, and (2) prescribe the amount such States will receive on the basis of the amount they received under a terminated program which previously had distributed money to political subdivisions of the States. The subsection further requires that the State establish a formula for the distribution of block grant funds on an equitable basis in accordance with the requirements of Section 1601(b) and make the report required by Section 1602.

Section 1601(b) specifies requirements that the States must meet in distributing block grant funds under programs defined in Section 1601(a). These requirements

include (1) assuring that effective programs which service demonstrated needs, and which previously were funded under programs consolidated into the block grants, continue to be funded, (2) assuring parity in distribution of funds for rural areas and small cities, and (3) assuring fairness of competition in applying and bidding for funds.

SECTION 1602—REPORTING

Section 1602(a) requires that the chief executive officer of the State, before distributing block grant funds, prepare a public report on the intended use of funds. The subsection specifies required elements of the report, including information on what activities will be supported, geographic areas to be served, who will receive the services to be funded by the block grant, and the method and formula which has been established to distribute the funds.

Section 1602(b) requires that the above report be publicized in a manner that will facilitate comment both while the report is being developed and after it is completed. It also requires that the report describe a process allowing for public review, appeal of programs selected to be funded, and appeal of selection of delivery mechanisms. The subsection also requires revision of the report throughout the year as necessary to reflect substantial changes in the activities which are funded by the block grants.

Section 1602(c) contains requirements of documentation which must be included in the State's block grant report. Under this subsection, the documentation must be sufficient to substantiate (1) that funding is adequate to carry out the purposes of funded programs, (2) the selection of entities to receive funds, (3) that a previously funded program which was consolidated into a block grant for which funding is discontinued or reduced by more than one-half has not proven effective, and (4) that a delivery entity for which funding is discontinued has not proven effective in carrying out the program.

Senate amendment.—The Senate amendment contains no comparable provision.

Conference agreement.—The conference agreement provides for five new sections, Sections 1741 through 1745, setting forth procedural and administrative requirements for block grant funds. The purpose of the first three of these sections is to provide for a participation and reporting process at the State level to help assure that local governments, interested individuals and groups within a State have an opportunity to comment on planning for the expenditure of block grant funds authorized in this Act. These sections provide minimum requirements and are not intended to supersede more detailed reporting and participation provisions that may be part of individual block grants contained in this Act. In addition, it is not the conferees' intent to effect any change in the delivery mechanism or administering entity of any block grant program.

By providing a process for public comment, it is anticipated that programs of highest priority in terms of the needs of the residents of a State will be identified and that the funding and design of these programs will result in a distribution that treats urban and rural local governments, their residents and other entities, such as non-profit organizations, in an equitable manner.

The last two sections pertain to grant auditing.

SECTION 1741—DISTRIBUTION OF BLOCK GRANT FUNDS

Section 1741(a) sets forth the purposes of the requirements of this part. The requirements are intended to help assure the allocation of block grant funds for programs of special importance to meet the needs of local governments, their residents, and other eligible entities. In addition, they are designed to assure that all eligible urban and rural local governments, their residents, and other eligible entities are treated fairly to the distribution of such funds. In this regard, it is the intent of the conferees that rural areas will be treated fairly in relation to urban areas in the distribution of block grant funds.

Section 1741(b) defines the terms "block grant" and "State". For purposes of this part, the term "block grant" applies only to programs authorized in this Act which are intended to be used to any extent, at the discretion of State governments, for programs discontinued by this Act, and which were funded, immediately before its enactment, by Federal government allocations to units of local government or other eligible entities, or both. It is the intent of the managers that this definition of a block grant not apply to that portion of funds (for example, as in the Educational Program Consolidation) that are paid to a State with the requirement that they automatically be passed through to sub-State entities under a formula established by Federal law.

SECTION 1742—REPORTS ON PROPOSED USE OF FUNDS; PUBLIC HEARINGS

Section 1742(a) requires each State to prepare a report on the proposed use of block grant funds received by that State. The subsection specifies information required in the report, including (1) a statement of goals and objectives, (2) information on the types of activities to be supported, geographic areas to be served and categories or characteristics of individuals to be served, and (3) the criteria and method established for the distribution of the funds, including details on how the distribution of funds will be targeted on the basis of need to achieve the purposes of the block grant funds. Beginning in fiscal year 1983, the report also must include a description of how the State has met the goals, objectives, and needs in the use of funds for the previous year which the report for that year had identified. The conferees do not intend that the report required by this subsection be voluminous or more extensive than is necessary to publicize adequately the information specified in this subsection.

Section 1742(b) requires that the report prepared by a State pursuant to subsection (a) and any changes in such report be made public within the State on a timely basis and in such manner as to facilitate comments from interested local governments and persons.

Section 1742(c) prohibits any State from receiving block grant funds for any fiscal year until the State has conducted a public hearing, after adequate public notice, on the use and distribution of funds proposed by the State as set forth in that year's report.

SECTION 1743—TRANSITION PROVISION

Section 1743 applies to fiscal year 1982 only and requires a State to certify to the Federal agency administering the block grant that it has met the public report and public hearing requirements of Section 1742. The State must make this certification prior to October 1, 1981, or no less than thirty days before January 1, April 1, or July 1, 1982. A State may certify its compliance for a portion of block grant funds and would then be eligible to receive that portion of block grant funds for which the certification is applicable.

The conferees intend that until a State has submitted its certification, the appropriate Federal agencies shall use that portion of block grant funds not yet claimed by the State to continue those categorical programs operating in the State in FY 1981 for which the State has not yet assumed responsibility. This is to be done in such a manner that, when FY 1981 and FY 1982 funding is compared, each such program not assumed by the State shall receive the same percentage reduction or increase in its funding. The Federal agency shall use the same method of distributing funds as was used in FY 1981 and the program shall be administrated in a manner as similar as practicable to the way in which the original categorical programs were administered.

In administering such transitional assistance, it is the intention of the conferees that a Federal agency shall minimize its own administrative expenses. Any transition provision contained in a block grant program authorized by this Act shall supersede this section.

SECTION 1744—ACCESS TO RECORDS BY COMPTROLLER GENERAL

Section 1744 provides that the Comptroller General of the United States shall have access to records for the purpose of evaluating and reviewing the use of block grant funds, consolidated assistance or other grant programs established or provided for in this Act. Under this provision the Comptroller General must be permitted to inspect and review any books, accounts, records, correspondence, or other documents that are related to block grant funds, assistance or programs that are in the possession, custody, or control of any State or political subdivision.

This provision makes clear that needed and desired records may not be withheld from the Comptroller General. The conferees intend through this access by the Comptroller General to help keep the Congress informed on the manner by which these monies are being spent and whether or not the purposes of the legislation are being met.

SECTION 1745—STATE AUDITING REQUIREMENTS

Section 1745 requires each State to conduct financial and compliance audits of all funds which the State receives under block grant or consolidated assistance programs established or provided for by this Act.

The audits are to be conducted with respect to each entire two-year period after October 1, 1981. To the extent practicable, the audits are to be conducted in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, activities, and functions.

Section 1745(d) provides that the audits required by this section shall be in lieu of any other financial and compliance audits of the same funds which the State is required to conduct under any other provision of this Act, unless that other provision, by explicit reference to Section 1745, otherwise provides.

The conferees adopted Section 1745 to insure that State block grant and consolidated assistance programs established or provided for under this Act would be audited effectively on a regular basis in accordance with well-recognized and clearly-established standards, and that the standards governing the audits would be uniform from State to State and among grant programs. The provision was adopted in response to inquiries by conferees who were concerned that the reconciliation legislation included a number of audit provisions and requirements which differed from grant to grant. The conferees agreed that without this section, the Act could impose unreasonable burdens on the States and would not assure maximum protection against possible waste, fraud and abuse in the expenditure of the funds provided to the States. Accordingly, Section 1745 establishes a single audit provision to govern all block grant and consolidated assistance programs in this Act. It supersedes any other audit provisions in this Act which do not explicity provide otherwise, except that it is not intended to dilute or otherwise change the compliance requirements of any grant programs.

This section addresses only the audit requirements imposed upon the States by this Act. This in no way limits the authority of the Comptroller General, the Inspectors General of the Federal agencies, or other Federal authorities from conducting audits and investigations authorized by this Act or by other Federal statutes.

[From the Congressional Record, July 29, 1981]

Conference Report Language on the Community Services Block Grant as Provided in H.R. 3982, the Omnibus Budget Reconciliation Act of 1981

COMMUNITY SERVICES BLOCK GRANT

The Senate amendment establishes a Community Services Block Grant.

The House bill contains no comparable provision.

The House recedes.

The Senate amendment would authorize $354,375,000 for fiscal year 1982 and each of the four succeeding fiscal years.

The House recedes with an amendment to authorize $389,375,000 for fiscal year 1982 and each of the four succeeding fiscal years.

The Senate amendment provides that the term "poverty line" refers to the line established by the Secretary (sic) of OMB; that the term "Secretary" means the Secretary of HHS; and that the term "State" means the several States, the District of Columbia, Puerto Rico, and the territories.

The House recedes with a technical amendment and an amendment to clarify the definition of "poverty line".

The Senate amendment provides that from 99 percent of the appropriation, each State would receive an allotment based on the percentage of individuals and families below the poverty line in such State except that no State would receive less than one-half of 1 percent of the amount appropriated.

The House recedes with an amendment setting aside one-half of 1 percent for the Trust Territories and reducing the small State minimum to one-quarter of 1 percent.

The Senate amendment provides that for the purpose of making allocations, Puerto Rico and the Territories would not be considered States. One percent of the appropriation would be divided among these areas on the basis of need. If the Secretary receives a request from the governing body of an Indian tribe that assistance be made directly to that tribe and the Secretry determines that such tribe would be better served, the Secretary can reserve amounts for that tribe from a State's allotment based on the ratio that tribe's population bears to the population of all eligible households in the State. In order to be eligible, an Indian tribe shall submit a plan. "Indian tribe" and "tribal organizations" are defined according to the same criteria established in the Indian Self-Determination and Education Assistance Act.

The House recedes with an amendment clarifying that Puerto Rico shall be treated as a State for the purpose of making allocations clarifying the definitions of "Indian tribe" and "tribal organizations", and limiting the setaside for the Territories to one-half of 1 percent.

The Senate amendment provides that each State desiring an allotment must submit an application as required by the Secretary. After the first year a State receives an allotment, the State legislature must hold public hearings on the proposed use and distribution of funds. In its application, a State must agree to use the funds to provide services having a "measurable and potentially major impact on the causes of poverty and to provide activities designed to assist participants in areas of employment; education; utilization of available income; housing; emergency assistance; self-sufficiency; community participation; and service utilization. States would be required to use at least 95 percent of their allotments to make grants to local governments for the purposes of the block grant which the local government may use directly, or give to non-profit private community organizations having boards meeting specified requirements, or to seasonal farmworker organizations. States would not be able to spend more than 5 percent of their allotment for administrative purposes. States would be required to assure that any community action agency board or non-profit private organization will be constituted so that:

(1) one-third of the members are elected public officials;

(2) one-third are chosen democratically to represent the poor in the area served; and

(3) one-third are members of business, industry, labor, religious, welfare, education, or other major community groups.

The State would be required to give special consideration to existing community action agencies. The State may transfer not more than 5 percent of its allotment to services under the Older Americans Act, Head Start, or energy crisis intervention. The State must prohibit political activities, including activities to provide voters transportation to the polls or similar assistance. The State must provide coordination between antipoverty programs and emergency energy crisis intervention programs, and provide for fiscal controls and accounting procedures. However, the Senate amendment stipulates that the Secretary cannot prescribe regulations for State compliance with any of the subsection's requirements.

Additionally, the State must submit a plan and revise plans as appropriate. Revised plans must be submitted to the Secretary. Each plan must be available for public inspection. Audits must be completed by an independent entity and submitted within 30 days to the Secretary and the State legislature. The State must repay misspent sums and the Comptroller General must, from time to time, evaluate State expenditures.

The House recedes with a technical amendment, and an amendment to specify the status of existing community action agencies and programs in fiscal year 1982 under the Community Services Block Grant, and to decrease from 95 percent to 90 percent the required pass through to local units of government or non-profit private community organizations, or migrant and seasonal farmworker organizations, in fiscal year 1983.

The Senate amendment would create an Office of Community Services within the Department of Health and Human Services to be headed by a Director.

The House recedes. The conferees emphasize that the Community Services Administration, as an agency, is terminated and that the Community Services Block Grant is clearly a new program within the Department of Health and Human Sevices, not a transfer of authority.

The Senate amendment prohibits discrimination on the basis of race, color, national origin, sex, age, or handicap and provides for administrative remedies and legal remedies for non-compliance.

The House recedes.

The Senate amendment provides that allotments shall be made in accordance with provisions of the Intergovernmental Cooperation Act of 1968 and that funds be expended in the same fiscal year or the succeeding fiscal year.

The House recedes.

The Senate amendment authorizes the Secretary to withhold funds from States who do not utilize their funds appropriately and requires the Secretary to respond expeditiously to "serious complaints" regarding misutilization. The Senate amendment stipulates that the Secretary may not withhold funds for minor failures to comply. The Senate amendment would require the Secretary to conduct investigations each fiscal year regarding compliance particularly when the Secretary determines that there is a pattern of complaints. The Comptroller General may also conduct investigations. While States are directed to make appropriate documents avail-

able to the Secretary or Comptroller General, the Secretary or Comptroller General may not request information not readily available.

The House recedes with technical amendments. The conferees agree that the Secretary, in making a determination as to substantial compliance, shall make each decision on a case-by-case basis.

The Senate amendment provides that, with exceptions, grants may not be used to purchase or improve land or to purchase, construct, or permanently improve buildings or facilities, other than low-cost residential weatherization of energy-related home repairs.

The House recedes.

The Senate amendment would repeal all of the Economic Opportunity Act except for the Community Economic Development Program (Title VII) and the Legal Services Corporation (Title X).

The House recedes with an amendment, (1) repealing Title VII of the Economic Opportunity Act of 1964, and reinstating Title VIII of the Act; (2) providing discretionary authority for the Secretary to operate training activities and activities of national or regional significance; (3) adopting new authorizing language relating to various activities authorized under the discretionary authority above; and (4) adopting new transition provisions under which the Secretary of HHS may, for fiscal year 1982 only operate programs under the provisions of law in effect on September 30, 1981, if a State has made a determination not to operate such programs under the block grant under this subtitle. The transition provision also includes the requirement that any State which has determined to allow the Secretary to operate programs under the provisions of law in effect on September 30, 1981, shall notify the Secretary of this determination prior to the first quarter fiscal year 1982, and at least 30 days prior to the beginning of any subsequent quarter in fiscal year 1982. If the Secretary is operating the State's program under the provisions of law in effect on September 30, 1981, he may not reserve more than 5 percent of that State's allotment for administration of the State's program. Finally, the transition provision authorizes the Director of OMB to terminate the affairs of the Community Services Administration, and provides for transfer authority, effective upon enactment.

The conferees intend that, if a State so chooses, a State may notify the Secretary prior to the beginning of fiscal year 1982 that it does not intend to operate the block grant under this subtitle at any time during fiscal year 1982, and notification to that effect shall be sufficient notification to the Secretary for the purposes of the transition provisions.

The House bill extends through fiscal year 1984 several statutes within the Education and Labor Committee's jurisdiction that are due to expire within the next three fiscal years.

The Senate bill contains no comparable provision.

The House recedes with respect to Parts C, D, E, and F of the Education of the Handicapped Act, the Rehabilitation Act of 1973, the Domestic Volunteer Services Act and the Older Americans Act, and the Senate recedes with respect to Title VII of the Economic Opportunity Act of 1964, with a technical amendment changing the reference to Title VII to Title VIII.

CSA DIRECTOR
In the News

THE CHRISTIAN SCIENCE MONITOR Wednesday, August 5, 1981

Are states ready to take initiative in war on poverty?

'Yes,' says the administrator tapped to dismantle federal antipoverty agency

By Julia Malone
Staff correspondent of The Christian Science Monitor
Washington

The war on poverty, declared 17 years ago and still far from won, is moving out of the federal government and into the states.

Within the next two months the Reagan administration will close the agency that has been a symbol of the national commitment to fight poverty, the Community Services Administration (CSA). An outgrowth of the old Office of Economic Opportunity, the CSA has been official lobbyist for the poor in Washington, and it has funneled millions of dollars into local projects, ranging from meals for the elderly to schools for dropouts.

Now most of that money will be going directly to the states where governors will decide how to use it.

What this is is a transition from federal to state decisionmaking," says CSA director Dwight A. Ink in an interview sandwiched between meetings to complete the one task he has been appointed by President Reagan to perform: dismantle the agency by Sept. 30. And the soft-spoken, reasoned federal administrator has a reputation for meeting his deadlines.

Eight years ago President Nixon attempted to abolish the antipoverty Office of Economic Opportunity, but Congress balked and set up the CSA to take its place. This time an agreement made by a joint House and Senate committee has sealed the fate of the independent CSA. The decision is one more victory in Mr. Reagan's drive to shrink the federal government.

All that will remain of a federal antipoverty agency is a small "office of community services" in the Department of Health and Human Services (HHS) to administer grants to states. Mr. Ink says that he will not move to the new office and that there is no guarantee that any of the almost 950 CSA employees will either.

For many antipoverty workers, the move against the CSA looks like evidence that the Reagan administration does not care about the poor. They say they will be left to the mercy of the state governments, which often have been hostile to the disadvantaged.

I can understand these points of view because there have been problems at the state level," Ink concedes. But he adds that there also have been problems at the federal level.

"I simply reject the notion that federal people are compassionate and state employees are indifferent and hostile to human concerns and human problems," says Ink, who also took issue with a recent Harris poll that said most Americans believe Reagan does not care for the poor, the elderly, and the handicapped.

"Of course I don't agree with that," the CSA chief says. "If I felt that way, I would not have been willing to come in and take (this) job."

Ink's past credits include helping to start the US Department of Housing and Urban Development and running a highly successful aid mission to rebuild Alaska after the 1964 earthquake. To his current credit, he is working quietly, taking care not to criticize the agency he is disbanding. ("He listens," says a longtime antipoverty activist who has been lobbying hard against the Reagan approach.)

Ink also allows that the war on poverty has had "some victories." He recalls that "in the middle '60s when the cities were burning" the federal government needed to set up a *plan to* combat urban blight. But to make such federal efforts permanent "discourages state and local governments from carrying out their responsibilities toward the disadvantaged and poor," the CSA director says.

Now is the proper time to turn the task over to the states, he says. The states have increased their share of funds for social programs during the last 10 or 15 years, he argues, and they are "better equipped today than the federal government was at the time OEO was launched (in 1965)" to fight the antipoverty war.

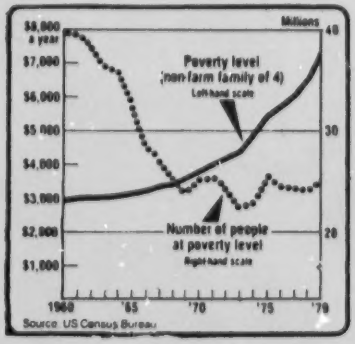
Low-income citizens and minorities must protect their interests through local elections, according to Ink, who also expects the news media to help out. "The development of TV dramatizes these problems in a way that just didn't happen" in earlier decades, he says.

He concedes that the local programs will vary. "There will not be a uniform level of quality," he says. "When it goes to 50 states, you'll have different approaches."

According to the plan forged on Capitol Hill, the states will divide $355 million in funds targeted for low-income communities, and $35 million will be set aside for national projects such as migrant worker programs.

The Reagan budget knife has sliced about 25 percent off spending for low-income projects. But the antipoverty lobby managed to salvage one major victory: The grants will be earmarked for the poor. Reagan had pushed for tying no strings to the grants, but critics said such a move would allow states to ignore low-income projects completely.

Under the compromise, Reagan has won removal of the independent antipoverty agency, the CSA, and he has put control into the hands of states. But even if it has to move to a new battlefield, the war on poverty will still be waged.



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CSA

FACT SHEET FOR COMMUNITY ACTION

COMMUNITY SERVICES ADMINISTRATION 1200 NINETEENTH ST.,WASHINGTON,D.C. 20506

The Community Action Program was the centerpiece of the anti-poverty legislation passed by Congress in 1964. Today, the network of more than 900 community action agencies (CAAs) continues to embody the central concept of the Economic Opportunity Act: that the most effective approach to combating poverty is one in which the poor of each community are intimately involved.

The typical community action agency is an "umbrella" organization that provides a number of economic and educational opportunities for low-income persons. CAAs also act as advocates for the poor by encouraging policies, programs and practices that are more responsive to the needs of poor Americans.

Local initiative is the major thrust of the program, with funds provided by the Community Services Administration for locally conceived and administered programs. For this reason, no two CAAs are exactly alike. Each agency is staffed and governed by professionals and neighborhood residents intimately familiar with the community who tailor the mix of activities and services offered by the CAA to the particular needs of community residents.

Over the years, the community action network has proven itself to be most effective in implementing programs at the local level. Among the anti-poverty programs administered by CAAs are: Head Start, weatherization, low-income energy assistance, housing, health, rural transportation, senior opportunities and services, food and nutrition, employment and training, and migrant and Indian programs. These programs are operated in addition to the CAA's basic information, outreach and referral services.

The vast majority of community action programs rely on non-CSA funds for program costs. Many have demonstrated an outstanding ability to mobilize Federal, state, and local, public and private resources. Approximately 80 percent of the money administered by CAAs comes from sources outside of CSA. On the average, CAAs generate nine dollars in non-CSA funds for each dollar of local initiative money.

The Community Action network covers every state, Puerto Rico and the Pacific Trust territories.

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION

B-203960

AUGUST 19, 1981

The Honorable Dwight A. Ink
Director, Community Services
Administration

Dear Mr. Ink:

Subject: Financial Control System Problems at the Community Services Administration will not be Fully Solved by the Current System Redesign Project (AFMD-81-96)

Our recent review of the Community Services Administration's automated Financial Control System revealed such a state of disarray that it is clear managers are not receiving the information they need to adequately control and accurately report grantee use of funds totaling millions of dollars. Managers must have accurate information on the financial status of grants in order to ensure that expenditures are properly accounted for and that grantees do not draw down and hold excessive amounts of Federal cash.

For the grants we examined, the amount of unexpended cash advances held by grantees as recorded in the Financial Control System was grossly overstated--by over 850 percent. Although the results of our review cannot be statistically projected to all grantees, they indicate a serious lack of reliability of information in the system.

In addition to being inaccurately accounted for, most of the cash held by the grantees we reviewed was in excess of their immediate and reasonable needs and should not have been drawn down until needed to make payments under the grant. Some grantees had cash on hand in excess of a year's requirements. For the grants we reviewed, representing about one-sixth of the total reported balances, excess cash in the hands of grantees cost the Treasury about $150,000 in interest annually.

Agency managers were aware that information in the Financial Control System could not be relied on, and they often kept manual memorandum records to compensate for this weakness. This created additional administrative costs.

The cause of unreliable information in the automated system is a combination of system design problems and failure to follow procedures. Specifically, grantees and agency personnel have failed to ensure that expenditures are promptly entered into the system and as a result, the system does not provide agency personnel with

the reliable information needed to monitor grantee cash balances. Many of the reports produced by the system are confusing and hard to understand because of the formats used. Further, many reports are only marginally useful in monitoring grants because they do not provide enough detailed information.

The Community Services Administration has a system redesign project now underway which is a major step toward correcting this situation. The project, if properly implemented, will improve report formats and increase the amount of detailed information included in the reports. It will not, however, eliminate the erroneous information in the system or address the lack of compliance with proper accounting and control procedures. These problems should be taken care of concurrently with the redesign project.

OBJECTIVES, SCOPE, AND METHODOLOGY

We made our review at the Community Services Administration's headquarters office, Washington, D.C., and at the Atlanta Regional Office. The Atlanta region received almost $87 million, or 12 percent, of the agency's fiscal 1979 appropriation and had responsibility for $128.9 million, or 19 percent, of the $665.8 million in unexpended cash advances reported held by the agency's grantees at September 30, 1979, by the Financial Control System. This was the most recent fiscal yearend information available at the time of our review (calendar 1980) with similar information for September 30, 1980, not available until late 1980. The headquarters office, in addition to managing grants with reported unexpended cash advances of $65 million at September 30, 1979, was responsible for setting agencywide accounting procedures, operating the agency's accounting system, monitoring regional office operations, and preparing internal and external financial reports. We also visited five grantees in the Atlanta region to validate the balances of cash advances they confirmed.

Our objectives were to determine whether the Community Services Administration's accounting and management control systems ensure that

--cash advances received, expenditures, and balances on hand are properly and accurately reported; and

--cash advances are not requested prematurely causing balances to exceed immediate and reasonable cash needs.

In reviewing the accounting for and controls over reporting of grant advances and expenditures, we (1) confirmed with grantees the grant amounts, cash advances, expenditures, and cash on hand at September 30, 1979, for 195 grants; (2) evaluated the uses made by regional office and headquarters recipients of reports from the automated accounting system; and (3) surveyed the status of the accounting system redesign project.

BACKGROUND

The Community Services Administration, established in January 1975 as the successor to the Office of Economic Opportunity, is responsible for coordinating and managing national antipoverty programs. Its activities are authorized by the Economic Opportunity Act of 1964, the Community Services Act of 1974, and the Economic Opportunity Amendments of 1978.

The Community Services Administration includes a Washington, D.C., headquarters office and 10 regional offices throughout the United States. Grantees are advanced cash to conduct their programs. As discussed further on pages 6 and 7, Treasury regulations require that cash be drawn down in amounts to meet only immediate and reasonable cash needs and that grantees do not hold excessive amounts of cash.

The automated Financial Control System design has not been submitted to the Comptroller General for approval. Essentially unchanged since its inception in 1965, the system is designed primarily to provide information to managers for use in monitoring and controlling grantee draw downs of cash advances, expenditures of advanced funds, and cash balances. Expenditure information is to be posted to the system from quarterly reports prepared by grant holders. The reports are reviewed, approved, and prepared for processing by Community Services Administration regional offices and sent to the headquarters office for processing into the system.

The system produces monthly, quarterly, and annual reports on the financial results of program and administrative operations. The monthly Grant Obligations, Advances, and Expenditure Report, for example, shows by individual grant the amount of the grant, cash advance draw downs, expenditures, and unexpended cash advance balance and could be used by managers to monitor cash advance balances maintained by grantees. Another report, the Monthly Account Summary Report, shows, among other things, total grantee draw downs of cash advances, disbursements by grantees, and unexpended cash advance balances. It could be used to determine whether disbursements by grantees are reported and promptly entered into the Financial Control System by comparing draw downs with recorded disbursements.

The Budget and Accounting Procedures Act of 1950 requires agencies to:

--Maintain accounting systems to produce needed, accurate information on resources, liabilities and obligations, expenditures, revenues, and costs for use by agency managers, other agencies, the Congress, and ultimately the public.

--Ensure that agency accounting systems conform to the principles and standards prescribed by the Comptroller General.

The Comptroller General has required that cash advances to grantees be recorded as assets and that, as performance occurs, the accrued expenditures be recorded and the asset account reduced accordingly.

THE AUTOMATED FINANCIAL CONTROL SYSTEM PRODUCES UNRELIABLE INFORMATION ON THE FINANCIAL STATUS OF GRANTS

Information in the automated Financial Control System regarding the financial status of grants is unreliable. The reports that agency managers receive are of little value in determining how much money grantees have actually spent and how much they hold in unexpended cash advances. In short, financial accountability and control over grants is inadequate.

The unexpended balance of cash advanced to grantees as recorded in the system was overstated by more than 850 percent for the grants we reviewed. Further, most of the cash actually held by these grantees was excess to their current cash needs and should not yet have been drawn down. For just the grants we reviewed, representing about one-sixth of the total reported outstanding cash advance balance, excess cash in the hands of grantees cost the Treasury about $150,000 in interest annually.

Community Services Administration managers were aware that information in the automated Financial Control System was unreliable. To compensate, they often maintained manual memorandum records to try to get some of the financial information needed to monitor grantees. This resulted in additional administrative costs, and the agency did not get maximum benefit from the automated system.

Cash advance balances are grossly overstated

We confirmed $100.5 million of the $665.8 million in unexpended cash advances to grantees shown on the automated Financial Control System and included in financial reports sent to the Treasury as of September 30, 1979. These confirmations, involving 195 grants managed by the Atlanta region and the headquarters office, disclosed that the information in the Financial Control System was grossly overstated. Only $10.4 million of the $100.5 million we confirmed was actually unexpended--an overstatement on the system of over 850 percent.

For 182 of the 195 grants confirmed, we found differences between the amount of unexpended cash advances reported by the system and the amount actually held by the grantees. For example, the system reported

--that a grantee had $3.3 million in unexpended cash advances while the grantee reported that all advanced funds had been expended;

--that another grantee had unexpended cash advances of $3.5 million while the grantee confirmed that all but $300,000 had been expended;

--that a grantee held $2.5 million in cash advances while the grantee said that only $188,000 remained on hand; and

--that $1.5 million in cash advances was held by still another grantee, while the grantee stated that only $32,000 remained on hand.

As a result, agency managers did not, for the grants confirmed by us, know how much of the millions of dollars advanced to these grantees was actually expended and how much cash grantees held as of any given date. In turn, financial reports to the Treasury on grantee advances were inaccurate since they were based on information in the Financial Control System. The Treasury consolidates the financial reports received from the Community Services Administration with reports received from other Federal agencies to develop annual Government financial statements.

Regional office and headquarters managers acknowledged that financial information in the automated Financial Control System cannot be relied upon in monitoring grants and that information reported to the Treasury on unexpended cash advances is overstated. Atlanta region personnel indicated that they would have to contact grantees directly to get accurate and timely financial information, and that they maintain manual memorandum records to supplement the system.

The impact is even greater on headquarters personnel as they are the primary users of the reports. Headquarters receives 30 reports whereas regional offices receive only 4. These 30 reports include monthly, quarterly, and annual reports on (1) cash advances to grantees through direct Treasury checks and letter of credit draw downs, (2) comparisons of grant amounts, (3) grantee expenditures, and (4) unexpended cash advance balances.

Many headquarters users of reports produced by the system said they are not getting the timely, accurate information they need to monitor grants. For example, 54 users stated that the reports are inaccurate and out of date or cannot be used without correction or further analysis. Another 21 users stated that to get needed financial information they supplement reports received from the system with manual memorandum records. In addition, as discussed further on page 9, users also found the formats of reports to be confusing, making them hard to understand and use.

Overall, the Financial Control System is not producing the kind of accurate, up-to-date information agency managers need. This often forces them to maintain memorandum records in order to do their jobs. Additional administrative costs are incurred to maintain these memorandum records and the agency is not getting

maximum benefit from the automated system, which is costing over $1 million annually to operate.

Grantees maintain excessive cash balances

Our confirmations of the 195 grants also disclosed that of the $10.4 million in unexpended cash advances actually held by these grantees as of September 30, 1979, about $9 million was excess to their current cash needs. We estimate that this excess cash in the hands of grantees alone cost the Treasury about $150,000 annually in interest.

Treasury requires agencies that make cash advances to monitor grantee draw downs and use of funds to ensure that grantees do not maintain balances of Federal cash that exceed their immediate and reasonable cash needs. Treasury regulations provide two methods of advancing cash to grantees: the direct Treasury check method and the letter of credit method. The direct Treasury check method is to be used when the annual advances to a grantee total less than $120,000, or when the relationship between the Government and the grantee is expected to be for less than a year. The letter of credit method is to be used when the annual advances to a grantee total more than $120,000 and the relationship between the Government and the grantee is expected to be for a year or more. Letter of credit financing was used for 170 of the 195 selected grants we reviewed.

Under the direct Treasury check method, Treasury regulations require agencies to time advances to grantees so that the funds are available only immediately prior to their disbursement by the grantees. Under the letter of credit method, grantees can withdraw cash from the Treasury concurrently with disbursements and as frequently as disbursements occur, but are limited to no more than one draw down daily and to amounts not less than $5,000. These regulations also specify that grantees maintain cash balances not to exceed $5,000. Organizations usually need no more than a 3-business-day supply of Federal cash when obtaining advances under letters of credit, but this is conditioned by the $5,000 minimum draw down requirement. In this regard, Office of Management and Budget regulations provide that grantees may be required to explain letter of credit cash advance balances in excess of a 3-day supply and specify actions taken to reduce the excess cash balances. On the other hand, grantees receiving advances by Treasury check are generally limited to a 30-day cash supply.

As stated previously, Community Services Administration personnel acknowledge that the inaccurate information in the financial reports they receive makes it difficult to monitor and control grantee draw downs of Federal cash and identify grantees maintaining cash balances that exceed their current cash needs. Consequently, grantees can hold Federal funds far in excess of their current cash needs without fear of being questioned by agency personnel.

Our confirmations of unexpended cash advances as of September 30, 1979, disclosed that grantees drawing down and holding excessive balances of Federal cash is a serious problem at the Community Services Administration. Of the 195 grants directly confirmed, 134 grantees reported excess cash--128 grantees under the letter of credit method had cash exceeding a 3-day supply, and the other 6 grantees under the direct Treasury check method had cash exceeding a 30-day supply. In three cases, grantees reported more than a year's supply of cash on hand totaling about $190,000. Overall, the 134 grantees had about $9 million in cash that exceeded their immediate and reasonable cash needs. The breakdown was as follows:

Method of paying advances	Excess cash on hand
Direct Treasury check	$ 115,784
Letter of credit	8,878,248
Total	$8,994,032

We estimate that allowing grantees to hold this much excess cash for just the grants we reviewed cost the Treasury about $150,000 in interest annually. 1/ This cost could have been avoided had the automated Financial Control System provided agency managers with the reliable information on outstanding cash advances they needed to monitor and control grantee cash draw downs, expenditures, and outstanding cash advance balances.

CAUSES OF UNRELIABLE INFORMATION:
FAILURE TO FOLLOW PROCEDURES
PLUS SYSTEM DESIGN PROBLEMS

The problems with the automated Financial Control System stem primarily from the failure of grantee and agency personnel to follow prescribed accounting and control procedures. An additional problem is the confusing format of many of the reports produced by the system, making them hard to understand and use. Also, many reports do not include enough detailed information, making them only marginally useful in monitoring grants.

1/ In computing this cost, we used the 11.18 percent interest rate the Treasury earned on its tax and loan accounts during September 1979. These accounts are maintained in commercial banks throughout the country and amounts due the Federal Government, such as Federal payroll taxes, are directly deposited in them. The banks pay interest to the Treasury on these funds. Treasury operating accounts--the accounts used to honor checks and letter of credit draw downs on Treasury funds--are funded in part from the tax and loan accounts.

An automated accounting system includes (1) the procedures to gather, prepare, control, and enter information into the computer for processing; (2) the computer programs, files, and reports; (3) the computer equipment itself; and (4) the people who run the system. Like a chain, any automated accounting system is only as good as its weakest link and any design or operating deficiency in any part of the system will cause the entire system to break down. This is particularly true if the people who run an automated accounting system do not follow prescribed procedures, or if the reports the system produces are hard to understand and use or do not present the information needed by users in doing their jobs.

Our review of the Financial Control System and selected grants disclosed the following failure to follow prescribed procedures that are necessary for the success of the system:

--Grantees were often late in filing required expenditure reports. For example, for 40 of the 104 grants confirmed in the Atlanta region, grantees were up to 7 months late reporting expenditures to the Community Services Administration, even though agency instructions require grantees to file financial status and transaction reports within 15 days of the end of each quarter and provide for suspending funds to grantees who do not comply. On the average, grantees submitted reports 51 days late.

--Grantees in our sample who were late or failed to submit reports did not have grant funds suspended as provided for in agency instructions even in cases where expenditure reports were filed 7 months late.

--Agency personnel failed to promptly enter expenditure reports received into the accounting system. For example, expenditure reports were entered promptly for only 11 of the 104 grants we confirmed in the Atlanta region. We identified unrecorded expenditure reports ranging up to 33 months, with the average time being 11 months.

--Inactive grants were not promptly closed out. In addition to the grants we confirmed, we identified 76 grantees in the Atlanta region that were still carried as active grants even though they were no longer receiving grant funds from the Community Services Administration. Some of these grantees had received no funds for more than 3 years. Altogether the system reported they had unexpended cash balances of over $3 million. The grantees had not filed final expenditure and audit reports and the regional and headquarters offices had taken no action to secure these reports or close out the grants. The Office of Management and Budget's Uniform Administrative Requirements For Grants (Circular A-110) require agency personnel to ensure that grantees (1) submit all financial, performance, and other reports within 90 days after completion of work and (2) immediately remit any unobligated cash advanced.

Compounding the failure by grantee and agency personnel to follow prescribed accounting and control procedures were the confusing formats of the reports produced by the Financial Control System. Users of the reports considered them hard to understand and use and found that many reports did not include enough information for effectively monitoring grants.

We interviewed 160 headquarters users of 30 reports 1/ produced by the system and asked them to comment on the usefulness of the reports in monitoring the financial status of grants.

--Fifty-two users believed that the formats of the reports are confusing and that not enough detailed information is presented. For example, 17 users said that, because of the extensive use of numeric codes to identify and describe financial information, the reports are difficult to use. Further, they believed more detailed instructions were needed on the purpose, information presented, and use of the reports. Another 35 users said that more detailed information, such as grantee termination dates, grantee addresses, deobligation amounts, and obligations and allotments by grant number, is needed.

--Ninety-six users commented either that the reports from the automated system duplicate information they receive in other reports (39 users) or that the information in the reports from the automated system is available from other sources (57 users).

--Thirty-seven users stated they could effectively perform their duties without receiving reports from the system. For example, a budget official commented that the weekly report received on grant obligations does not include the information needed for budget control. As a result, this individual maintains manual memorandum records.

CURRENT SYSTEM REDESIGN PROJECT--
A STEP IN THE RIGHT DIRECTION

The Community Services Administration has recognized the seriousness of its grantee information problems and has undertaken a project to redesign the Financial Control System. The redesign effort will focus on (1) development of summary reports for upper level managers; (2) redesign of reports to eliminate confusing

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1/For our study of the usefulness of the 30 selected reports produced by the automated Financial Control System, a user is defined as a recipient of a copy of one of the 30 reports selected for review. Since many of the 30 reports are prepared and distributed in multiple copies, we interviewed recipients of each of the 160 copies distributed of the 30 reports reviewed.

formats; (3) consolidation of existing reports into fewer, more useful reports; and (4) development of new accounting procedures together with the necessary training. Accomplishment of these objectives should go a long way toward remedying the financial report problems that have plagued the Financial Control System. The Community Services Administration has submitted an outline of the design of the new system to us for comment prior to submitting the system design for formal approval by the Comptroller General.

However, the project offers only a partial solution to the problems with the system. Inaccurate information, particularly on unexpended cash held by grantees, will still permeate the system. Current plans for implementing the new system call for use of information now in the Financial Control System--information that is acknowledged by Community Services Administration officials to be largely inaccurate. Also, outside of initial training of agency accounting personnel in new procedures, the implementation plan does not include developing and putting in place new management controls to ensure that agency personnel actually comply with the new procedures.

Without a concurrent effort to (1) purify the information in the Financial Control System and keep this information up to date and (2) develop and implement management controls to ensure that grantee and agency personnel follow prescribed accounting and control procedures, the new system will continue to produce unreliable information on the financial status of grants.

CONCLUSIONS

The Community Services Administration has taken an important step to improve its financial management of grants, but has not gone far enough. The ongoing project to redesign the Financial Control System must be coupled with a carefully planned concurrent effort to purify information presently in the system's automated files and to establish a system of management controls to ensure that grantee and agency personnel enter all transaction information into the system promptly. Without these efforts, any new system will continue to produce reports that managers cannot use and the need for memorandum accounting records will continue. Also, the new system should conform to the accounting principles and standards approved by the Comptroller General on April 5, 1979, and should be submitted to the Comptroller General for approval, as required by the Budget and Accounting Procedures Act of 1950.

Agency officials informed us that the Community Services Administration may not be funded for fiscal 1982, and may, therefore, not exist as a separate, independent agency after September 30, 1981. In this event, the agency's programs would be folded into block grants to be run by the States. If, in fact, the Community Services Administration is not funded beyond September 30, 1981, it is extremely important that the information on the

financial status of grants in the automated Financial Control System be immediately brought up to date to enable the agency to:

--Identify, for grants that terminate on or before September 30, 1981, the unobligated cash advances in the hands of grantees as of grant termination and to collect these funds from the grantees.

--Identify, for grants that terminate after September 30, 1981, the accurate financial status of these grants as of September 30, 1981, and to report this information to the States that will take over administration of these grants.

RECOMMENDATIONS

We recommend that you immediately issue instructions to purify the information on the financial status of grants in the Financial Control System. Also, if the Community Services Administration continues to exist as a separate, independent agency after September 30, 1981, we further recommend that you issue instructions to require that:

--Management controls be developed and implemented to ensure that agency personnel and grantees will fully comply with prescribed accounting and control procedures.

--The design of the new system conform to the principles and standards approved by the Comptroller General on April 15, 1979, and be submitted to the Comptroller General for approval.

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As you know, Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen of the House Committee on Government Operations and Senate Committee on Governmental Affairs, the Director of the Office of Management and Budget, and the Secretary of the Treasury.

We wish to express our appreciation for the cooperation received during this review. If you desire further information concerning our findings, we would be happy to meet with you or your staff.

Sincerely yours,

W. D. Campbell
Acting Director

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August 19, 1981

Mr. Dwight Ink, Director
Community Services Administration
1200 19th Street, N.W.
Washington, D.C. 20506

Re: July 20, 1981 Memorandum Entitled
"Recovery of Final Disallowed Costs"

Dear Mr. Ink:

This letter is written on behalf of the National Community Action Foundation ("NCAF"). Having spoken informally with Spencer Lott of your General Counsel's Office regarding the above-cited memorandum, we have decided to follow up on Mr. Lott's suggestion that we express our concerns with that memorandum in a letter to you. Because of our prior dealings on this matter with Mr. Lott, I have taken the liberty of sending him a carbon copy of this letter. Our concerns with the memorandum are divisible into two general categories: (1) practical problems, and (2) legal objections.

I. PRACTICAL PROBLEMS

Apparently there are a number of CSA regional offices which in the past have been lax in collecting final disallowed costs. In consequence, there may be a number of CAAs against which CSA theoretically could move vis-a-vis disallowed costs. Full collection of such costs in the manner outlined in the memorandum (particularly now, when CAAs will be experiencing severe funding cutbacks) could be catastrophic for some CAAs and place a severe and undue burden on many others.

In pressing forward on disallowed costs, CSA has a number of alternatives which are not contemplated or allowed by the memorandum. First, CSA had wide flexibility

to compromise all or part of any disallowed costs. See, 42 U.S.C. § 2942(1). Many CAAs with final disallowed costs may have very legitimate reasons for incurring those costs -- reasons which probably have caused regional offices not to proceed against the CAAs in question. Obviously, there should be some provision made for compromise or waiver of claims where valid reasons for waiver exist. The memorandum fails to deal with this question.

Second, CSA has the authority to obtain recovery of claims over a period of time rather than immediately as the memorandum demands. There is no reason, for example, why repayment may not now be arranged with CAAs over a several year period. Such a scheme would relieve the immediate burden that otherwise will be placed upon those CAAs.

Finally, in collecting disallowed costs, CSA has the latitude to accept in-kind contributions in lieu of cash. The memorandum would not allow regional offices simply to negotiate an increase of in-kind contributions in the amount of the disallowed costs. In this regard, we mention that acceptance of an in-kind contribution in lieu of cash would not mean that a CAA's basic grant for next year would be reduced. Rather, its overall program would be expanded by the amount of increased in-kind contributions agreed to by the CAA and CSA.

II. LEGAL OBJECTIONS

Our legal objections to the present scheme are severalfold. First, if funds are being withheld from grantees, such a withholding would appear to be a partial refusal to refund and subject to the procedures required by 29 U.S.C. § 2944. See also, 45 C.F.R. 1067.2. Without the invocation of such procedures, the withholding would be improper.

Second, to the extent funds are being "deobligated" from an existing grant, CSA's regulations bar such a deobligation. See 45 C.F.R. § 1050.115. Under CSA's regulations, deobligations -- which are in effect partial terminations of grants -- may be accomplished only by a termination for default (which requires a full hearing) or a termination for convenience (which requires the approval of the recipient). The memorandum presumes that a deobligation may be implemented without regard to CSA's regulations and is therefore legally deficient.

Third, grants Constitutionally create property rights in grantees. In order to divest grantees of such property rights (here, the right to receive funds for proper expenditures) a full due process hearing is required. See, e.g. Wong Yang Sung v. McGrath, 339 U.S. 33 (1950). CSA's regulations provide only that a hearing, and then only an informal hearing, "may" be held before the disallowance becomes final. 45 C.F.R. § 1068.42-8(d)(2). It is our impression that many disallowances have been taken without affording grantees any hearing. Furthermore, even if a hearing has been held, since that hearing has been an informal proceeding, it is an inadequate response to a Constitutional entitlement.

Fourth and finally, by withholding or deobligating grant funds, CSA is creating an amount of funds which apparently will be unexpended for the purpose appropriated; i.e. funding CAAs. Not only would this be an illegal impoundment of funds, but it also would have an adverse impact on State entitlements under the Community Services Block Grant program. Moreover, the withholding could violate allotment requirements under 42 U.S.C. § 2812.

III. CONCLUSION

We believe our legal objections should be sufficient to cause you to withdraw the memorandum, and are obliged, therefore, to place you on notice that if the memorandum is not withdrawn, legal action to require its withdrawal may be forthcoming. At the same time, if CSA

were willing to address the practical concerns outlined above, such legal action conceivably would not be necessary. If you are interested in reaching common ground on this issue, we ask that you or an appropriate person on your staff get in touch with us as promptly as possible.

Sincerely,

BOASBERG, KLORES, FELDESMAN & TUCKER

By: _____
James E. Feldesman
Ann Steinberg

Counsel to National Community Action Foundation, Inc.

emg

cc: S. Lott, Esquire
R. Coard

AUG 12 1981

Denver Opportunity, Inc.
1177 Grant Street • Denver, Colorado 80203
Phone: (303) 831-1200

DANIEL R. TRUJILLO
Executive Director

LLOYD THRONE
Deputy Director

August 7, 1981

Ike Andrews, Chairman
Subcommittee on Human Resources
Attn: Gordon Raley
2178 Rayburn Building
Washington, D.C. 20515

Dear Congressman Andrews:

Denver Opportunity, Inc. (D.O.) wishes to extend its sincere appreciation for your continuing efforts in behalf of Community Action Agencies. D.O. clients and supporters have sent approximately 20,000 pieces of correspondence to Congress protesting social service cutbacks and non-categorical block grants. It is through efforts such as your that we were able to save CAA's and their many programs from virtual extinction.

There are numerous legal and practical questions that arise regarding the transition period from CSA to HHS to block grants. Denver Opportunity is a private, non-profit agency with a staff of approximately 150 persons (over 200 before CETA cuts) and $5 million total funding from a myriad of Federal, State and local agencies. Our program year was supposed to end on December 31, 1981. Numerous leases, contracts and obligations were predicated upon this date. We are concerned whether HHS will have a mechanism in place to fund CAA's by October 1, 1981 if CSA is terminated. Additionally, as the legislation allows States to "opt out" for one year it is unclear how that process will affect transitional funding or if we will receive instructions in a timely manner and from who? Will CAA's receive a letter of authorization to borrow funds if there is a substantial delay? How long will this transition period be and at what funding level...(90% of current funding, 90% of 75% ...?)? Are original programs years intact? Does transition begin at the end of the program year or on September 30th? Will CSA staff be transitioned to HHS as we understand an Office of

An Equal Opportunity Employer

Community Services is supposed to be set up in HHS with responsibility for CAA's? If not, how can a yet to be developed office disperse funds and create policy without trained personnel by September 30th? These and many other practical questions come to mind.

Again thank you very much for your continued efforts and support.

Sincerely,

Daniel R. Trujillo,
Executive Director

DRT/ca

NATIONAL COMMUNITY ACTION FOUNDATION

Please respond to:

August 26, 1981

BOARD OF DIRECTORS

Officers
Robert M. Coard
President
Ida Daniel Berk
Vice-President
Philip H. Gillespie
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Region IX
Philip Smith
Region X

Dorcus R. Hardy
Assistant Secretary for
Human Development Services
Department of Health and
Human Services
309 F Hubert Humphrey Building
200 Independence Ave. S. W.
Washington, D. C.

Attn: Betty Waller

Dear Secretary Hardy,

Enclosed you will find a list of many of the concerns expressed to us by community action agencies and appropriate individuals concerning the transition from the Community Services Administration to the Department of Health and Human Services. In addition to these concerns, there is also a series of legal questions that we have begun to address and we will be sharing these with you at our upcoming meeting. I am quite encouraged by your professionalism and your attempt to enact the best programs to serve the poor.

I sincerely believe that as you get to know community action you will find it a very worthwhile program delivering services to the poor and one whose mandate coincides with the President's philosophy of local determination and control.

I wish you the best of luck and I will do everything I can to be of assistance to you and your Department.

Thanks again for your cooperation.

Sincerely,

David

David A. Bradley

DAB/sb
Enclosure

NATIONAL COMMUNITY ACTION FOUNDATION • 2101 L STREET, N.W., SUITE 906 • WASHINGTON, D.C. 20037 • (202) 785-8811

SOME ADMINISTRATIVE ISSUES OF IMMEDIATE CONCERN TO COMMUNITY ACTION AGENCIES

1. Possible cut-off of CAA Funding as of September 30, 1981.

Approximately one-third of the Nation's largest CAAs are due to lose their funding under the Economic Opportunity Act ("EOA") as of September 30, 1981. Their obvious concern is whether -- and to what extent -- continuation funding will be available to them as of October 1.

Specifically, CAAs are concerned that, despite everyone's best efforts, neither the Department of Health and Human Services ("HHS") nor individual State governments will be geared up to deliver FY 1982 Community Services Block Grant ("CSBG") funds to CAAs in time to ensure CAA/CSBG operations as of October 1, 1982. Thus, those CAAs which are slated to lose EOA funds as of September 30 fear an interruption in critical service delivery.

Accordingly, the CAAs seek specific, written assurances from HHS that it will ensure uninterrupted funding to those CAAs which will continue operations under the FY 1982 Community Services Block Grant ("CSBG") program. These assurances should cover both the situation

where a State opts into the FY 1982 operation of the program, and where the Secretary of HHS will be operating the program in a State's stead. Unless the CAAs receive such assurance immediately, they may be forced to cut back needed services to their communities, lose valuable trained staff, and risk significant legal and financial liability for employees' leave and benefits.

2. Arbitrary Treatment of CAA Funding by CSA and Implications for CSBG Allocations

Most of the big city and large rural CAAs facing a September 30 cut-off are in that situation because of a CSA policy (begun in 1974 or 1975), whereby CAAs with Section 221, EOA funding in excess of $300,000 were funded on a split fiscal year basis. Under that policy, affected CAAs received two stages of funding for each twelve-month grant period. The first funding covered the time from the beginning of the grant period until the end of the Federal fiscal year (i.e. September 30); the second funding covered the time from the beginning of the next fiscal year (October 1) until the end of the grant period. Each stage of funding came from CSA's current appropriations.

A specific example may illustrate the point. In August 1979, CSA awarded a 12-month grant to XYZ CAA, for

the period beginning on September 1, 1979, and ending on August 31, 1980. The grant award was in the amount of two million, four hundred thousand dollars ($2,400,000). With the grant award, CSA sent XYZ CAA funding authorization in the amount of $200,000 -- one twelfth of the full grant amount; said $200,000 was allocated from CSA's FY 1979 appropriation, and was to be spent prior to September 30, the end of CSA's fiscal year. Sometime after October 1, 1979, the CAA received the remainder of its $2,400,000 award out of the CSA FY 1980 appropriation.

The apparent reason for this policy and funding plan was a CSA overexpenditure of funds during the 1974-75 period. Because of the overexpenditure CSA apparently was forced to "borrow" from future appropriations to meet current grant obligations.

In prior years, this split funding was little more than an administrative nuisance to the large CAAs. This year, the split funding means potential disaster. Stating the obvious: There simply is no "next year's" EOA appropriation to cover the CSA grants.

The national office of CSA has refused to deal with the issue, citing a lack of funds. The regional offices have responded in varying and confusing ways. At least one regional office (Region IX) put a halt to

virtually all 12-month FY 1981 funding, and pooled all available funds so that every CAA in the region (whether slated for funding in amounts greater or less than $300,000) could receive EOA funding for the same period of time. Other regions (such as Region I) have stuck rigorously to the split fiscal year policy. As a result, while Action for Boston Community Development ("ABCD") (one of the largest CAAs in the region) is going to be refunded in FY 1981 only for the 30-day period from September 1 to September 30, 1981; other smaller CAAs in the region are being refunded for a full 12-month period at the beginning of their program year, even when their program year begins as of October 1, 1981.

The arbitrariness and inconsistencies of this situation may be challenged in a legal forum. For now, however, the situation is important to note for at least two reasons. First, CAAs want to know if HHS considered this issue or if it intends to take any action with regard to it. Second, CAAs want to know how this situation may bear upon CSBG FY 1982 allocations.

3. Administration of Existing CAA Grants

For those CAAs which will retain EOA funds beyond October 1, 1981, a primary issue is how and by whom those

grants will be administered. Will HHS assume responsibility for those grants? Or will some responsibility be shared with the Office of Management and Budget ("OMB") or to the States? If the States assume some responsibility for the grants, will any provision be made for State administrative costs? [Note: The above queries apply both with respect to local initiative funds authorized under Section 221 of the EOA and typically awarded by CSA regional offices and special grants awarded by the National office.]

4. Protections or Procedures for Individual CAAs Which Lose Substantial Funding in the Transition from EOA to CSBG Programs

Section 682 of the CSBG legislation provides that where a State chooses not to operate CSBG programs in FY 1982, the Secretary of HHS shall operate those programs "under the provisions of law in effect on September 30, 1981", i.e., the Economic Opportunity Act. Under the EOA, CAAs have specified rights upon the denial of refunding. Will these rights be honored by HHS? Will other protections -- substantive or procedural -- be given to CAAs who lose a substantial part of their program funds in FY 1982?

Will any requirements, instructions, or guidance be given to States regarding these issues both with respect to FY 1982 and subsequent fiscal years?

5. Property Currently Held by CAAs

Has HHS taken any position with respect to the status of property previously purchased by CAAs with Federal funds? For example, are any requirements, instructions, or guidelines being distributed to advise CAAs and the States of limitations regarding the transfer of title and rights of possession of such property? Presumably -- at least in this point of time -- the property management standards of OMB Circular A-110 (on uniform administrative requirements for non-profit organizations) apply. How are they being implemented or communicated?

6. General Administrative Standards

Will any Federal cost principles or administrative principles or administrative standards apply to CSBG funds -- either when administered by the Secretary of HHS or States?

7. CAA Closeout or Cutback Costs

If, because of situations referred to above in paragraphs 1 and 3, individual CAAs are forced to abrupty

end their programs or cut-back substantially, will HHS bear any of the attendant financial loss to the CAAs? Will HHS take steps -- or will States be required to take steps -- to minimize such loss?

8. Closeout and Lingering Issues Related to Prior CSA Grants

Has HHS assumed this responsibility? If not, has anyone?

9. CSA Close-out

10. Office of Community Services

Staffing, funding considerations. Possible transfer of CSA employees.

11. Role of HHS Regional Offices

12. Congressional Hearings on CSBG: Transition and General Administration

13. Instructions and Training Sessions on CSBG Implementation

Are they contemplated for CAAs? When? To what degree? By whom?

14. Program Regulations

Status and coverage with respect to such issues as program evaluations, the granting of "special consideration", the Federal application review process, allowable activities, complaint procedures, etc.

AUG 12 1981

NORTH HUDSON COMMUNITY ACTION CORPORATION
507 - 34TH STREET • UNION CITY, NEW JERSEY 07087

GENE MARTORONY
PRESIDENT
MICHAEL A. LEGGIERO
EXECUTIVE DIRECTOR

TELEPHONE
201 - 866 - 2200

August 10, 1981

Mr. Ike Andrews, Chairman
Subcommittee on Human Resources
Room 2178
Rayburn House Office Building
Washington, D.C. 20515

Att: Gordon Riley

Dear Mr. Andrews:

While the North Hudson Community Action Corporation is not a first quarter CSA Grantee, we are concerned about the absence of a transition mechanism now that Block Grants have placed community action funding in the Department of Health and Human Services and the States. Given the chaos that will result from an inability to continue providing services due to delay of funding, we wonder if the necessary mechanism will be in place by January, 1982 which is the close of our fiscal year.

Because of the critical nature of the present situation, we are asking you to do all in your power to ensure a speedy development of the new funding mechanisms as well as to guarantee no lapse in the flow of financial support.

Moreover, it has come to our attention that the present legislation only safeguards existing programs from elimination or reductions of fifty percent (50%) or more after Fiscal Year 1982. We hope that you will keep this in mind and do what you you can to prevent wholesale reduction of under fifty percent which would in effect destroy community action by degrees after Fiscal Year 82.

Thank you for your support and be assured it is greatly appreciated.

Very truly yours,

Michael A. Leggiero

Michael A. Leggiero
Executive Director

MAL/mc
cc: Senator Bill Bradley
Senator Harrison Williams

AN EQUAL OPPORTUNITY EMPLOYER

AUG - 2 1981

Highland County Community Action Organization

338 West Main St. • P. O. Box 395 • Hillsboro, Ohio 45133 • Tel: 393-3456

August 6, 1981

Congressman Ike Andrews
Chairman, Subcommittee on Human Resources
2178 Rayburn House Offices Building
Washington, D.C. 20515

ATTENTION: Gordon Raley

Dear Congressman Andrews:

I am writing concerning the community services block grant and its impact on our community action agency. As our fiscal year begins November 1, 1981, I am very concerned over the lack of a transition plan to ensure our agency's funding on that date.

Without budget authorization and funding our agency will be forced to terminate business and lay off staff. Such a move will be devastating to both our employees, many of whom are low-income, and to the numerous low-income persons we serve.

I urge you and members of your subcommittee to consider a transition plan which will ensure our agency's continued operation and service to the poor.

In closing, I want to express my gratitude to you for your courageous support of the Economic Opportunity Act and Community Action Agencies.

Sincerely,

William L. Combs II
Executive Director

WLC:kdt

88-960 O—82——9

AUG 17 1981

KCEOC

August 6, 1981

Rep. Ike Andrews, Chairman
Sub Committee on Human Resources
2178 Rayburn House Office Building
Washington, D.C. 20515
Att: Gordon Raley

Dear Rep. Andrews:

There are some pertinent issues that have arisen from the accomplishments of the Conference Committee to the Omnibus Budget Reconciliation Act of 1981, regarding the abolishment of the Community Services Administration and the Economic Opportunity Act of 1964.

Though the actions and results of the committee are deeply appreciated by Community Action Agencies, the issues that have surfaced are paramount to these CAA's and especially effect CAA's facing first quarter funding for FY 82.

First, we do not believe that the federal or state governmental bureaucracies can establish prudent, quality funding mechanisms by October 1, 1981. These mechanisms require certain time restraints to create effective management systems to properly allocate funds to local programs. Currently, the federal level is making hurried efforts to ensure the October 1, 1981, deadline, but the transition is not being accomplished on the state level. Frankly, the transition to the block grant approach, by the federal level, is piecemeal at best.

Secondly, the transition between the federal and state governments leaves local agencies completely in the dark as to what we should be planning. For example, what procedures should CAA's be following for refunding? What documents should be prepared and who should they be forwarded too? Sir, CAA's are responsible, practical, professional organizations and the transition does not provide clear cut mechanisms for funding nor defining what other requirements should be met.

An especially ticklish problem occurs relative to reapplying for funding and the October 1, 1981, transition date. Many CAA's across the country have an October 1, 1981, funding date and must give employees 30 days notice under their personnel policies and procedures manuals. Some of these effected employees may depart as early as September 15, 1981, on accured leave time to receive payment of that time. During their leaves, these individuals may attempt to secure alternate sources of employment deducing their CAA as defunct, though it may still be refunded at a later date. This will deprive the CAA of valuable individual talent and the local recipients will ultimately suffer the heaviest consequences.

Knox County Economic Opportunity Council, Inc. p.o. box 135 Barbourville, Kentucky 40906

Finally, there are factors that deeply concern this agency. CAA's across the country, as well as this agency, have been in the process of adopting the Grantee Program Management System (GPMS)to replace the goals and activities type system. KCEOC is scheduled to fully enter this GPMS on September 1, 1981, but in subsequent conversation with CSA Regional office personnel in Atlanta, they informed us, " do not waste your time, we can not handle it since we are going to be phased out September 30, 1981."

Since KCEOC fiscal year funding expires November 30, 1981, this agency seriously questions what methods must be undertaken to secure funding. Our specific questions include: Should we plan to complete and submit the GPMS?; If so, to whom should it be forwarded to?; Who will provide assistance in completing the forms?; What should we file if not the GPMS?; What requirements are to be addressed?; and, basically, just what is KCEOC supposed to accomplish to secure funding by December 1, 1981.

This lack of information and what processes need to be completed to secure funding, is creating anxiety among staff and management. Agency personnel wonder what their future career at KCEOC may hold and question whether or not they should look for new jobs. Many of these people are heads of households and must provide financial security for their families. They do not have the option of independant wealth and require weekly paychecks to survive. To date, one senior staff member has departed believing his future is in question and gained employment with a more secure, prosperous firm. Should these departures continue KCEOC will be robbed of talented individuals and the result will be crippling to our service delivery system. This situation could be avoided provided KCEOC could obtain information about the progress of the diversion of federal monies to the state and what KCEOC could specifically do to be refunded.

Considering this transition of federal management and funding to the ' state, KCEOC feels this places a great amount of responsibility on state government. In the past KCEOC has found, under similar circumstances, that the state moves very slowly in adopting and implimenting operational guidelines. We feel that the state is unable to intiate effective operational devices to ensure first quarter grantee's funding by November 1, December 1, or possibly later dates. Therefore, this transition between the federal and state governments must be better coordinated than the past if the Community Services Block Grant Program Act of 1981 is to function properly.

Rep. Andrews, KCEOC deeply appreciates your efforts, as well as the Conference Committee, to allow Community Action to continue. However, to many serious and threatening quesions have arisen and remain unanswered. To ensure that this CAA, and other like it are able to continue practical, professional service, please address these issues before your Sub-Committee at the earliest possible moment.

Sincerely yours,

Paul D. Dole
Executive Director

BILLY TAUZIN
Third District, Louisiana

COMMERCE AND ENERGY COMMITTEE
SUBCOMMITTEE ON HEALTH AND ENVIRONMENT
SUBCOMMITTEE ON TELECOMMUNICATIONS, CONSUMER PROTECTION AND FINANCE

WASHINGTON OFFICE:
TELEPHONE: 202-225-4031
502 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

WALLACE J. HEBERT
ADMINISTRATIVE ASSISTANT

Congress of the United States
House of Representatives
Washington, D.C. 20515

August 28, 1981

DISTRICT OFFICES:

EAST:
TELEPHONE: 504-838-4393
4500 VETERANS MEMORIAL BOULEVARD
METAIRIE, LOUISIANA 70002

CENTRAL:
TELEPHONE: 504-876-4543
PERCY BALFOUR, SUITE 107
HOUMA, LOUISIANA 70360

WEST:
TELEPHONE: 318-367-0331
210 EAST MAIN STREET
NEW IBERIA, LOUISIANA 70560

Ms. Mary Getty
Office of Congressional Liaison
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Ms. Getty:

I have been contacted by Mr. Earl Wright, Executive Director of the Jefferson Parish Community Action Program (JeffCAP). As the enclosed letter explains, JeffCAP's funding expires on September 30, 1981. Mr. Wright is concerned that JeffCAP's services will be disrupted or suspended if provision is not made for funding during the transition of program authority from the Community Services Administration to the Department of Health and Human Services.

I therefore join with Mr. Wright in requesting that funding continue to be provided to the Jefferson Parish Community Action Program during this transition period.

Thank you very much for your attention to our request.

Very truly yours,

BILLY TAUZIN
Member of Congress

BT:db

Enclosure

cc: Mr. Earl Wright
Congressman Ike Andrews, Chairman
Subcommittee on Human Resources

JEFFERSON PARISH
LOUISIANA
JEFFERSON COMMUNITY ACTION PROGRAM

JOSEPH S. YENNI
Parish President

EARL WRIGHT
Executive Director

August 7, 1981

Mr. Billy Tauzin
Congressman
4900 Veterans
Room 914
Metairie, Louisiana 70002

AUG 13 1981

Dear Congressman Tauzin:

The Jefferson Community Action Program (JeffCAP) would like to express its appreciation for your support of community action and this nation's commitment to the poor. Through the passage of the Community Services Block Grant Bill, Community Action Agencies will continue to help the poor help themselves.

We are concerned; however, about problems involved in the transition of program authority from the Community Services Administration to the Department of Health and Human Services. Our concerns are delineated in the enclosed letter to Congressman Ike Andrews, Chairman, Subcommittee on Human Resources. Congressman Andrews' subcommittee is expected to review transition problems in the near future.

We request your assistance in emphasizing our concerns to the subcommittee on Human Resources, the Committee on Labor and Education, the Community Services Administration and the Department of Health and Human Services.

Thank you for your commitment in the past and your continued assistance.

Sincerely,

Earl Wright
Executive Director

Ewdb
Attachment

1817 AIRLINE HIGHWAY · KENNER, LA. 70062 (504) 721-6387
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98-960 O—82——10

AUG 17 1981

JEFFERSON PARISH
LOUISIANA
JEFFERSON COMMUNITY ACTION PROGRAM

JOSEPH S. YENNI
Parish President

EARL WRIGHT
Executive Director

August 6, 1981

Honorable Ike Andrews
Chairman
Human Resources Subcommittee
Attention: Gordon Raley
Room 2178
Rayburn House Office Building
Washington, D.C. 20515

Dear Congressmen Andrews:

The Jefferson Community Action Program (JeffCAP), would like to express its appreciation for your commitment and work in passing the Community Services Block Grant Bill. Through this bill, some vestage of this nations commitment for the poor will remain. Last year, JeffCAP provided over 323,510 units of service to 18,000 poor people to help them help themselves to become more self sufficient. Community Action is not a give away program, but rather a program that helps the poor break the bonds of poverty by assisting in times of crisis and fostering the development of self sufficiency and financial stability.

We are, however, concerned about problems that may arise during the transition from the Community Services Administration to the Department of Health and Human Services, particularly, the time lag in funding Community Action Agencies with a funding expiration date of September 30.

The Jefferson Community Action Program's funding expires September 30, even though our program year extends through May 31. JeffCAP will experience serious disruption and possibly temporary shut down if arrangements are not made for funding authority during the transition. If the agency is required to shut down, all programs and services will cease, staff will be laid off and centers closed including removing all equipment and returning the premises to the lessors.

1817 AIRLINE HIGHWAY - KENNER, LA. 70062 (504) 721-5367
AN EQUAL OPPORTUNITY EMPLOYER

After refunding, the agency would have to find new centers or renogotiate with previous landlords, attempt to rehire former staff and inform the public that JeffCAP is again open. Consquently, a funding lapse would have serious consquences beyond the disruption of services during the agency's shut down.

We request that you and the subcommittee on Human Resources impress upon the Community Services Administration and the Department of Health and Human Services, the importance of providing funding to Community Action Agencies during the transition.

Thank you for your commitment in the past and your continued assistance.

Sincerely,

Earl Wright
Executive Director

EW/db
cc: Honorable Lindy (Mrs. Hale) Boggs, M.C.
2nd District, Louisiana
Honorable Billy Tauzin, M.C.
3rd District, Louisiana

Bear River
Community ACTION Agency

170 NORTH MAIN
LOGAN, UTAH 84321
752-7721

Executive Director
Helen C. Roth
Board Chair
Beth Gurrister

September 30, 1981

OCT 13

Ike Andrews
U.S. House of Representatives
Washington D.C. 20515

Dear Representative Andrews,

Today marks the demise of the War Against Poverty in these United States. It is indeed a sad day for thousands of staff and Board people who have dedicated much of their lives to organizing and implementing programs to enhance the self-reliance and dignity of poor people. Most of all it is a sad day for the poor people of our nation. It is simply incredible to me that the nation's leadership has chosen not to have a national thrust toward the alleviation of poverty as a priority in their agenda, but rather has chosen to abandon such thrust and priority. In Utah, the planning for the CSBG is taking place. Some significant factors which are emerging with clarity are:

1. Local governmental entities are already emerging as the power and they give little, if any, importance to the participation of poor people in the solution of their own problems.

2. Whereas previously the six CAAs in Utah cooperatively planned for the allocation of anti-poverty money throughout the state to best address poverty, local government has introduced a strictly competitive element in the allocation process without regard for need.

3. A committment to addressing the causes of poverty will soon be replaced by a committment only to providing direct, primary, "band-aid" services.

4. Any genuine attempt to bring about changes in laws, regulations and policies unfavorable to the upward mobility of poor people will be abandoned with the CSBG.

5. For whatever reason, in Utah in general, local elected county officials have a tendency to put a "moral" connotation on the state of poverty of individuals. As a result, a punitive attitude is prevalent which precludes any attempt to alter social constraints which many of us believe contribute to poverty and which fosters an attempt to provide, in a patriarchal manner, "handouts", but only to those who are "poor and worthy". In general, municipal elected officials seem to have a better grasp of social problems and how to address them positively than county officials, but municipal officials will have little power to impact decisions on the allocation and use of CSBG funds in Utah. These decisions will be made primarily by county officials.

I want to thank you profoundly for the attempts you have made to preserve and continue the positive development of a national committment and program to lessen poverty in our country. I feel sure that you and many of your colleagues who have so thoughtfully addressed the problem over the years share in the sadness and shame I feel in the face of our country's new posture of economic and social "survival of the fittest" (privileged).

I would appreciate it if you would send me a copy of the proceedings of the Hearing on the Reauthorization of the EOA of 1964 held by your committee on April 28, 1981. Thank you.

Yours in mourning,

Helen C. Roth

Helen C. Roth

HCR/ne
cc: Senator Orrin G. Hatch
Senator Jake Garn
Representative James V. Hansen
Representative Dan Marriott

NATIONAL ADVISORY COUNCIL ON ECONOMIC OPPORTUNITY
SUITE 405 - 1725 K STREET, N.W.
WASHINGTON, D.C. 20006

HOLD FOR RELEASE
Sunday 6PM for
Monday AM September 21, 1981

Contact:
Arthur I. Blaustein
202/254-3217
(or 415/526-0325)

ADMINISTRATION'S ECONOMIC POLICY COULD LEAD TO SOCIAL CHAOS

U. S. Advisory Council Warns That Reagan's Policies Will Result in More Welfare Dependency and Less Economic Opportunity: Impact on 29 Million Poor Americans Will Be Devastating

The National Advisory Council on Economic Opportunity today sharply criticized the Reagan Administration's proposed cutbacks in federal income-transfer and antipoverty programs, saying that the effect of these cuts will be to cause massive suffering as well as to undermine the work ethic and family life among the poor. The Administration's proposed cutbacks of these crucial federal programs, warned the Council in releasing its Final Report, will severely deepen the crisis of poverty in the future and could drive whole segments of our society toward hopelessness and despair. Instead, the Report calls for passage of the Economic Opportunity Act and continuation of the Legal Services Corporation, two programs that are essential to the well-being of the more than 29 million Americans still living in poverty.

In a separate statement, Arthur I. Blaustein, Chairman of the Council, said:

"By separating economic theory from social policy and pursuing the former at the expense of the latter, the Administration has adopted a strategy of brinksmanship that could lead to social chaos.

"There is a price to be paid for the reduction of human and social services. The price is that these cutbacks will not reduce crime: they will increase it. They will not reduce the use of drugs: they will increase it. They will not reduce alcoholism: they will increase it. They will not reduce physical and mental illness: they will increase it. They will not promote better family life: they will destablize it. They will not increase respect for the law: they will weaken it.

"At present, there exists an air of suspended disbelief over the radical changes that have occurred in the past two months. That is because the lay-offs, the shut-downs, the cut-backs, and the reduced paychecks have not yet reached ground level. But the day of reckoning will come shortly. October 1, 1981, will be remembered as a day of infamy, for it will mark the worst massacre of social and human service programs in American history."

The Report, "The American Promise: Equal Justice and Economic Opportunity," addresses itself specifically to the issues of unemployment, inflation, women in poverty, the implementation of human and social service programs, citizen participation and volunteerism, and the "myths" of poverty. The 15-member Council, established by Congress in 1967 and appointed by the President, is responsible for making an annual report to the President and Congress on programs and policies aimed at helping the poor. It is slated for abolition by this Administration.

Attacking what it termed persistent myths about poverty in the

United States, the Council presented evidence that disputed what it termed the "mistaken" view of some economists that the reduction in the poverty population had been a result of "growth in the private economy." The Council maintained that for some time such growth "has ceased to 'trickle down' to the poor in the form of more jobs, better income, and a more rewarding and productive role in society." And, the Council reaffirmed its belief that only those comprehensive and national economic revitalization efforts targeted specifically toward disadvantaged communities and the jobless would effectively combat poverty in the 1980s: a strategy that the Administration is abandoning.

In addition to releasing the Report, the Council issued the following statement:

"Seventeen years ago, this nation made an historic commitment to reduce, if not eliminate, poverty in America. The Economic Opportunity Act was conceived with moral conviction and dedicated to the proposition that all Americans, even the 36 million poor, were entitled to both economic opportunity and equal access to the law.

"The Act itself called for a national effort to attack the causes of poverty, and related social problems, which were national in character and scope.

"All the testimony given to the Council over the past several years has shown that these federal programs do work; that they do help people get out of poverty; and that the delivery systems are

providing the necessary basic human and social services. Thus, after fifteen years of progress in our nation's effort to relieve poverty, when in fact the number of poor had, by 1980, been reduced by 11 million and millions more have been kept above the poverty line, this Council is deeply concerned that the process will be reversed by recent policy decisions by the Administration that will serve not only to increase the number of poor, but to make their burden more severe.

"The three aspects of the Administration's Economic Recovery Program that gravely concern the Council are: 1) the massive across-the-board cuts in social and human service programs; 2) the abolition of delivery systems provided for in the Economic Opportunity Act and the Legal Services Corporation Act; 3) the transfer of federal authority and program responsibility to the states through block grant programs.

"In evaluating the impact of these changes on the poor, we believe that each of these decisions taken alone would be painful; but taken together they will be absolutely devastating. This Council, under four Presidents (two Republicans and two Democrats), has consistently taken the position that the federal government must maintain active responsibility for pursuing the goals of the Economic Opportunity Act. This has never been a partisan issue, and it should not be one now. The Council vigorously reaffirms its earlier recommendations that the Economic Opportunity Act and the Legal Services Corporation Act should be

reauthorized.

"The Council is well aware that the economic difficulties facing our nation are complex and often seem overwhelming. But these difficulties cannot be used as an excuse for reneging on our social and moral commitments as a nation. We are deeply troubled by the notion that national issues, ones that require national policy and programs and that are a part of our national purpose, should suddenly devolve to the states. The issue is not federal versus state responsibility; rather, it is the dimunition or avoidance of any national standards of responsibility and accountability. To deflect, suspend, or fragment responsibility and accountability suggests that we are either renouncing or failing to assert our moral purpose as a nation. Worse than that, the administration seems to be denying that this moral purpose exists.

"The effect of the block grant proposal, as opposed to the Economic Opportunity Act and the Legal Services Corporation Act, is to destroy existing support systems that are effective, that have a proven capacity to deliver services, and that utilize local planning and implementation capabilities. They are being replaced by a new system that has a poor track record, and is restrictively financed, more bureaucratic, less accountable, and more subject to intense political pressures. The last point is extremely important in that effective and efficient use of limited federal funds is in danger of being thwarted by conflicting political interests in each state.

"After reviewing the recent budget process, it appears that there has been a massive transfer from basic human and social services to our military budget. The Council seriously questions whether it is in the national interest to relegate a substantial number of human and social service programs to the junkpile, while we increase the stockpiling of weapons of mass destruction in an arms race where overkill has long been achieved.

"Moreover, these changes are occuring without any serious national debate, when advocates of balanced national priorities are dismissed by the President as representatives of 'special interests,' and critics of the Administration's policy are referred to as 'demagogues.'"

In criticizing the Administration's sharp cutbacks in social programs, the Council's statement emphasized the negative impact of these cutbacks on work and family life. "From an administration that places high priority on the importance of family life and the work ethic" it said, "this budget will be self-defeating." The Council cited the following analyses, drawn from its own research and other recent studies, in support of its statement that "these policies will actually encourage dependency instead of work, family breakdown instead of family stability:"

- The Council cited an estimate by the Congressional Budget Office that proposed cuts in Public Service Employment under the Comprehensive Employment and Training Act (CETA) would result in a net loss of between 210,000 and 330,000 jobs in

fiscal years 1981 and 1982, causing a sharp rise in expenditures for welfare and unemployment insurance.

The loss of these jobs, the Council pointed out, would be compounded by cuts in support services (which range from child care to mass transit), creating a "spiral effect" that will "deal a devastating blow to the realistic job prospects of hundreds of thousands of disadvantaged workers." The Council cited an estimate by the Wharton Economic Forecasting Associates that about three-quarters of a million jobs would be lost through cuts in CETA alone, and an additional million as a result of the Administration's program reductions as a whole.

The Council singled out proposed cuts in the Aid to Families with Dependent Children (AFDC) program as an example of how the reality of the Administration's budget departs from its rhetoric. Citing independent studies by the Congressional Budget Office and the University of Chicago's Center for the Study of Welfare Policy, the Council noted that the bulk of cuts in AFDC are concentrated on families who are presently working but do not now earn enough to maintain an adequate living. The Council pointed out that welfare recipients who work will have their incomes cut by an average of more than 20%, versus a 4% reduction for those who do <u>not</u> work, and in some states the Administration's proposed changes will eliminate the difference between what an AFDC family can

receive if no one works and the income it can receive with a full-time worker. Noting that this sharply penalizes the working poor, the Council commented that "The Administration apparently feels that only the rich need incentives to work." The Council said that families with young children -- especially minority families and families headed by women -- would be among the worst victims of the hardships imposed by the Administration's cuts. Citing an analysis by the Congressional Budget Office, the Council pointed out that of those families that are expected to lose a substantial portion of their spendable income from reductions in Public Service jobs, AFDC, Food Stamps, and the School Lunch program, over two-thirds are headed by women, and almost two out of five are nonwhite. Referring to the University of Chicago study, the Council noted that a single-parent family with two children could lose up to 30% of its disposable income from reductions in AFDC, Food Stamps, and child nutrition programs alone.

In rejecting the Administration's contention that renewed economic growth will eventually "trickle down" to the poor to offset these losses, the Council declared that it "flies in the face of everything we know about poverty today." The Council cited new evidence in this year's Report affirming that growth in the private economy has had a declining role in reducing poverty, and that "virtually all of the reduction in poverty since the mid-

1960's has come about through the expansion of social insurance and income-transfer programs" of the kind now under attack by the Administration.

Though poverty increased most dramatically in the "hard-hit, declining cities of the Northeast and Midwest," the Report says, "poverty rates also remained disturbingly stable even in those cities characterized by strong -- occasionally phenomenal -- growth in jobs and income. In short, economic growth has had little impact in decreasing poverty rates in recent years, even in the boom cities of the Southwest."

The stubborn persistence of poverty in the face of economic growth, the Council pointed out in its statement, results in part from the changing nature of the poverty population. What the Report terms the "new" poor are increasingly a population of those whom the private economy has passed by. Even in good times, the Council noted, these people -- the aged, the disabled, disadvantaged youth, women heading families with small children -- are rarely hired by the private sector. In 1978, a year of economic recovery, the unemployment rate among disadvantaged minority youth was 41%. Among AFDC recipients, one of the groups most harshly affected by the Administration's cuts, nearly 70% are children, more than two-thirds of them 11 years old or younger. Among the adults, the overwhelming majority are women heading families -- about 80% of whom are either required as full-time homemakers, disabled, or already in training, at work, or seeking work.

Because few of these people can be absorbed into the private economy without special assistance and support, said the Council, the "massive suffering" these program cuts will bring "cannot be balanced by any credible long-range benefits from the Administration's program -- even under the most optimistic economic assumptions." Instead, the Council declared, any economic "renewal" resulting from the Administration's policies would "take place at the expense of stable, rewarding family lives and genuine work opportunities for the poor and their children."

Mr. Blaustein, Chairman of the Council, added that: "We are watching a great tragedy unfurl before us. The steady drumbeat of rhetoric emanating from Administration officials and shrewdly orchestrated by the White House is intended to create, and has heretofore succeeded in creating, a counter-reality and new myths with respect to social policy. For example, by continuously referring to economic opportunity and equal justice programs as welfare programs, the Administration has misled the American public. These programs are, in fact, designed to achieve the opposite, to create jobs and economic opportunities and to encourage people who are dependent upon welfare to become productive citizens and taxpayers. By seeking to eliminate these programs and substituting its own policies, the Administration will deny upward mobility to millions on welfare and will force many of the working poor into welfare dependency. By shifting program authority from the federal government to the states

through block grants, the Administration has created a bureaucratic nightmare that will result in government by provisional catastrophe. By transferring huge amounts of funds from human and social services to defense, the Administration is not dampening inflation, it is fueling it.

"In order to gain support for its economic package, the Administration has conjured up the specter of an 'economic Dunkirk.' What it is perpetrating instead is a 'social Pearl Harbor' which will have a devasting impact on the poor who are defenseless, as well as wiping out the modest gains made in the past fifteen years by women, the elderly, minorities, and the young -- the most vulnerable segments of our society."

* * *

AUG 17 1981

UNITED PROGRESS, INC.
401 - 403 PENNINGTON AVENUE
P. O. BOX 100
TRENTON, NEW JERSEY 08618

ALBERT M. ROBINSON
EXECUTIVE DIRECTOR
TELEPHONE: 392-2191
(AREA CODE 609)

August 11, 1981

The Honorable Ike Andrews
Chairman
Subcommittee on Human Resources
Room 2178
Rayburn House Office Building
Washington, D.C. 20515

ATTENTION: Gordon Raley

Dear Sir:

I am deeply concerned about the possible transfer of the Community Services Administration to the Department of Health and Human Services, and the transition mechanism to be developed for that transfer. United Progress, Incorporated is a Community Action Agency which serves the poor in the City of Trenton. The functions of the agency include a wide spectrum of services which are vitally important to the poor of Trenton and to the City.

The beginning of the next fiscal period for United Progress, Incorporated is October 1, 1981. With such a starting date, all services provided by the agency will be placed in jeopardy unless the transition is completed, and a notice of funding is in this office no later than September 30, 1981. Unless immediate assurance of funding to provide continuity of services is forthcoming, many vital programs must cease and the impact on the poor and on the City will be disastrous. Also, unless such assurance is provided, key staff personnel and others must be terminated, pending refunding. To discharge personnel, and then attempt to rehire at some later date would be chaotic, to say the least.

It is urged that steps be taken to insure interim continuance of United Progress, Incorporated until such time as a formal arrangement for normal operations is made. Any reductions in staff which might become necessary could be handled through normal attrition at a later date. In addition to the loss of services which shall certainly result without a clear indication of immediate refunding, the loss of jobs of staff imposes an equally serious problem within the community.

I am willing to discuss these matters with you at any time. Please feel free to contact me.

Sincerely,

Albert M. Robinson
Executive Director

AMR:vf

cc: David Bradley

NATIONAL COUNCIL OF CSA LOCALS
P.O. BOX 50847, DALLAS, TEXAS 75250

August 18, 1981

Honorable Ike F. Andrews
US House of Representatives
Washington, D.C. 20515

Dear Congressman Andrews:

Attached is a copy of Mr. Ben Haney's memo to Region VI CSA employees regarding the House/Senate Conference Report on the continuation of community service support to community action agencies through the Block Grant procedure to begin October 1, 1981. I have circled point 3 of the memo which indicates that there is explicit language in the bill preventing transfer of function to HHS, and thus no rights for present CSA employees. We do not find such explicit language. Please let me know if this interpretation is shared by you based on your knowledge of the bill and the conference report.

The Union's concern is that the normal procedures and protections provided for in OPM transfer of functions regulations is being deliberately subverted.

Your prompt attention to this issue would be appreciated.

Sincerely,

Love B. Johnson
President
AFGE Local 2649

"UNITY THROUGH GROWTH AND STRENGTH"

Community Services Administration

REGION VI • 1114 COMMERCE STREET • DALLAS, TEXAS 75242

Date: July 31, 1981

Reply to Attn. of: 6/AO

Subject: General Staff Meeting

To: All Employees

There will be a general staff meeting for all employees Monday, August 3, 1981, at 10:00 A.M. in the Conference Room.

After my presentation, Mr. Redic will discuss with you the Displaced Employee and Federal Employees Re-Employment Registry Programs.

All employees are expected to attend.

Ben T. Haney

BEN T. HANEY
Regional Director

Community Services Administration

REGION VI • 1114 COMMERCE STREET • DALLAS, TEXAS 75242

Date: July 31, 1981

Reply to Attn. of: Ben T. Haney Ben T. Haney

Subject: Agency Status Report

To: ALL STAFF

The following information is provided to keep you abreast of agency status and it is based on a Conference Call on July 30, 1981:

A. House/Senate Conference Report

1. The report was approved and was to be transmitted to the President last night. The President is expected to sign bill during weekend.

2. The bill includes language that makes the date of passage, July 30, the beginning date of close out and assigns responsibility to OMB. We expect the Director of OMB to delegate the responsibility to Mr. Ink.

3. There is explicit language to the effect that there is no transfer of function. This means no rights to CSA employees. All CSA employees on the roll as of September 30, 1981, will be terminated.

4. A copy of the bill will be mailed to the regional office on Monday, August 3rd.

5. Bill does not provide for automatic funding of every CAA. It provides a total of $390 million. Of this amount the Secretary of HHS has $35 million of discretionary funds that a number of organizations will be able to compete for. It includes Headquarters grantees, CDC's, and special Regional grantees. The language also speaks in terms of 221 grantees being eligible for funding out of the $354 million. In addition HHS may use 5% of total appropriation for administration.

6. The language does speak to one year of "Grandfathering" of CAA's in general but no specific funding level for a grantee.

7. The states have up to one year to defer taking over block grant. They may pick it up at the beginning of any quarter in FY 82.

B. Personnel Issues

1. General notices are in the mail and will be given to employees upon receipt.

2. Specific notices are expected by August 10, 1981.

3. Packet of materials to assist region in development of out-placement program to be mailed today.

4. The issue of employees going on LWOP and retaining severance pay rights is being reviewed. We will get information to you as soon as we get it.

5. The Director will be making a decision on employee training in the next few days. However, it appears that the decision will be made that no training will be provided unless employee has a specific job offer and training can be related to same.

Upon notification that bill is signed this office will establish a close-out task force. The group will identify specific actions to be taken and a timeframe for these actions.

Our task is not a pleasant one, but I am sure that we will do our best to proceed in an orderly manner. Further, I am determined to make every effort to assist employees.

Puerto Rico Community Services Administration

Adverse Effects for Puerto Rico as a Result of Reductions in the Community Services Block Grant 1981-82 , 1982-83

...S OF MANAGEMENT ... Office of Community ...
Washington D.C. 20201

5 NOV 1981

Office of the Governor
La Fortaleza
San Juan, Puerto Rico 00901

The grant award listed below is available for State expenditures made in accordance with the State's application under Title VI of the Omnibus Budget Reconciliation Act of 1981 for the period beginning October 1, 1981, and ending September 30, 1983:

Cash Support This Award	$ 2,429,762.00
Cash Support Previous Awards	$ -0-
Total Awards to Date	$ 2,429,762.00
Remaining Allotment	$ 7,289,288.00

With the acceptance of this award, you agree to be responsible for limiting the drawing of funds to the actual time of disbursement and to submitting timely reports as required. Further, you agree that when these funds are advanced to secondary recipients, you will be responsible for effectively controlling their use of cash in compliance with Federal requirements. Federal funds to meet the current disbursing needs may be drawn by presentation of payment vouchers against the letter-of-credit issued for this block grant and certified to the U. S. Treasury Department. Withdrawals of funds are not to exceed the total grant award shown above under provisions of Treasury Department Circular No. 1075. Failure to adhere to these requirements may cause the undrawn portion of your letter-of-credit to be revoked.

Payments under this award will be made available through the HHS Departmental Federal Assistance Financing System (DFAFS). DFAFS is administered by the Office of the Deputy Assistant Secretary for Finance, Federal Assistance Financing Branch, Post Office Box 6005, Rockville, Maryland 20852, 301-443-1250.

Any questions you may have in connection with this grant should be referred to the Acting Regional Director, Office of Community Services.

Please transmit the attached copy of this letter to the State Official authorized to sign vouchers on the letter-of-credit.

Sincerely,

Robert L. Trachtenberg
Acting Director
Office of Community Services

PUBLICATION DATA

APPROPRIATION NO. 7521635	CAN 2-1992231	DOCUMENT NO. 01-82B1EQCOSR
QUARTER October 1, 1981	ALLOTMENT $9,719,050.00*	EIN 1-00-031-3587-A1

OCS(10/81)

BEST COPY AVAILABLE

15 NOV 1981

STATE PUERTO RICO

"Your Allotment Limitation for the Community Services Block Grant Program for Fiscal Year 1982 is based on the First Continuing Resolution for Fiscal Year 1982, as modified by the Administration's Proposed Revised Budget, and is contingent upon final appropriations action for the full year.

The amount of this grant award is 25 per cent of your annual Allotment Limitation.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF LABOR & HUMAN RESOURCES
PUERTO RICO COMMUNITY SERVICES ADMINISTRATION

Carlos Romero Barceló
Governor

Manuel E. Mena
Administrator

December, 1981

Honorable Congressmen
U.S. House of Representatives
Washington, D.C.

Dear Messrs. Congressmen:

In the past, the Puerto Rico Community Services Administration was one of the CAPs entrusted with the responsibility of developing and implementing all anti-poverty programs throughout the island of Puerto Rico. The municipalities of San Juan and Bayamón were the two other CAPs to carry the programs within their own jurisdiction.

The basic goal of the Puerto Rico Community Services Administration has been:

"To fight extreme poverty through the adequate use of available resources in the community and the active participation of families and individuals from areas of acute socio-economic stress, in the planning and implementation of community action programs.

A basic purpose of the community action program is to unite all available resources, be they federal, state, municipal, local and private to make possible that individuals and families from deprived

urban and rural areas to receive comprehensive services, develop skills and acquire learning which may expedite necessary opportunities to become self-sufficient. The active participation and involvement of the poor in all phases in the implementation and administration of the different programs, would guarantee the fulfillment of the aims of Community Action. The most important philosophical objective of the Puerto Rico Community Services Administration is not to be a spokesman for the poor, but rather, help the poor to be his own spokesman".

The new Community Services Block Grant (CSBG) Act provides a block grant to the state to be used as the state deems necessary, for community action programs.

In this respect, the Honorable Governor of Puerto Rico in order to insure the continuous delivery of services to the poor, designated the Puerto Rico Community Services Administration and the Municipalities of San Juan and Bayamón on a transition basis for fiscal year 1981-82 as the entities to comply with the Act.

A contingency plan was prepared by the Puerto Rico Community Services Administration in concurrence with the Community Action Board to continue providing funds on a reduced basis to the delegate agencies in accordance with the reductions contemplated in the Federal funding.

At the present time, the Puerto Rico Community Services Administration has a one hundred twelve (112) delegate agencies which operate a wide variety

of projects under seven programmatic areas as indicated on Table I.

TABLE I

Number of Delegate Agencies Operating Projects by Programmatic Area

Programmatic Area	Delegate Agencies
I. Employment	4
II. Community Involvement	2
III. Education	4
IV. Self-Sufficiency	16
V. Effective Use of Other Programs Senior Opportunities Services	35
VI. Multi-Services Centers	47
VII. Health Programs	4
	112

Projects have been categorized under their primary functions, even though, some of them may cover more than programmatic area.

The contingency plan prepared and the reductions contemplated were on the basis of the stated allocations for Puerto Rico.

We did not know that the words written on the wall were going to be so drastic and dramatic when the above stated allocations was further reduced to $9,719,050 with the possibility of further reductions of this sum, Puerto Rico Community Services Administration was allocated $6,913,160.

Since the block grant for Puerto Rico is allocated to Puerto Rico Community Services Administration and the municipalities of San Juan and Bayamón, the services being provided to the poor communities throughout Puerto Rico present a very, very dark future.

A very simple analysis of Table II, Budgetary Reductions to Puerto Rico C.S.A. and Its Impact on Clientele, Employment and Communities being served, 1981-82, shows the following critical facts:

1. The original allocation of $14,390,460 for 1981 served 320,174 poor citizens of Puerto Rico which is equivalent to 17% of the total poor population of 1,888,000 or 59% of the total population which is 3,200,000.

   For this same year 3,976 employments were maintained which is 2% of the Government labor force of 190,000 employments.

   Another significant fact is that 804 poor communities were served, which is equivalent to 34% of 2,385 communities in Puerto Rico.

2. The reductions contemplated under the Contingency Plan for fiscal 1982 would have provided services to 274,915 poor people, equivalent to 14% of the totals included above.

   It would have created 3,812 employments, equivalent to 1.9 of the total mentioned above.

3. The latest allocations would serve a clientele of 184,397 which is 9% of the total mentioned above; would provide 3,442 employment which is 1.8% of the total mentioned above; and would serve

495 communities which is 20% of the total mentioned above.

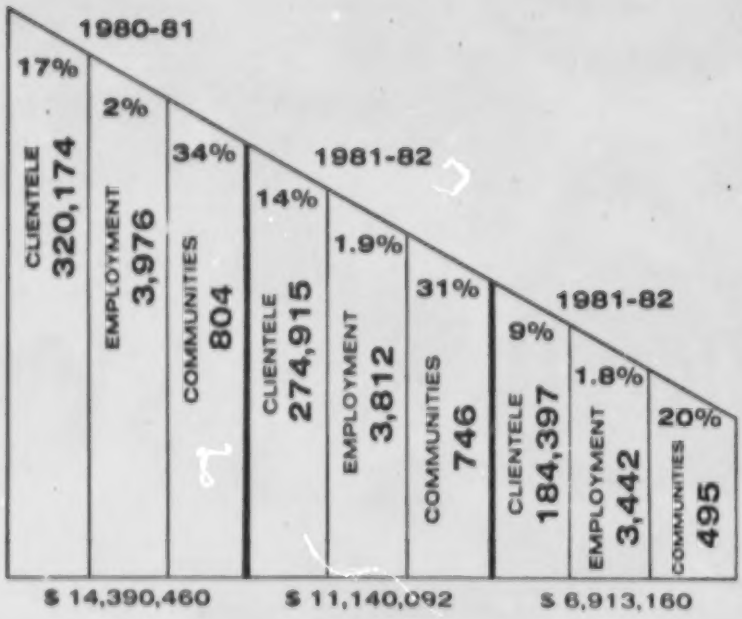
It is indeed a pathetic picture. Where to, now?

It is a well accepted dictum the Keyne's Multiplier Effect in Economics. Any input in economics multiplies itself by three. The reverse would apply when economic incentives are taken away. The adverse results will also multiply by three. In Puerto Rico this is more chaotic.

Community action programs in the poor communities of Puerto Rico is about the only hope that the residents of such communities have for they feel destitute, forgotten, alineated. Would they be forgotten?

Would they be dehydrated physically, mentally, spiritually, economically, as a person?

BUDGETARY REDUCTIONS TO P.R. C.S.A. AND ITS IMPACT ON CLIENTELE, EMPLOYMENT AND POOR COMMUNITIES BEING SERVED, 1981-83



1C

WUI NY TELUS 086 1588 10/14
3659430 AACHR
CUENTA 0184861

10-14-81

MR JAMES STOCKDALE
DEPUTY UNDER SECRETARY
FOR INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
WASHINGTON DC 20201

PUERTO RICO IS UNDER SPLIT GRANT GRANTEE FOR PERIOD JULY 1ST - OCTOBER 31, 1981 AND GRANT WAS APPROVED THROUGH ACTION 82. WE URGENTLY NEED LETTER OF CREDIT IN THE AMOUNT OF 4,325,751. NO RIDERS OR SPECIAL CONDITIONS WERE IMPOSED. CONTINUATION OF SERVICES IS IN JEOPARDY. WE REQUEST YOUR MOST ACTIVE ASSISTANCE.

MANUEL E MENA
EXECUTIVE DIRECTOR
COMMUNITY SERVICES ADMINISTRATION
BOX 25A
RIO REY PR 00919

ACCEPTED PRA76% BEING PROCESSED
9

WU1 NY TELUS 006 0752 11/02•
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MR. EDWARD VILLIN
FEDERAL ASSISTANCE FINANCING BRANCH
HEALTH AND HUMAN SERVICES DEPARTMENT
P.O. BOX 6021
ROCKVILLE MARYLAND 20852

CONFIRMING OUR TELEPHONE CONVERSATION. THIS TELEGRAM SHOULD SERVE AS A DRAWDOWN REQUEST FOR 1,375,000 MILLION DOLLARS TO COVER THE OPERATIONAL COSTS OF THE PUERTO RICO COMMUNITY SERVICES BLOCK GRANT FOR THE MONTH OF OCTOBER 1981. THE CHECK SHOULD BE ON THE NAME OF: COMMONWEALTH OF PUERTO RICO, OFFICE OF THE GOVERNOR ATTN: OFFICE OF ECONOMIC OPPORTUNITY - MR ARDIN TERON, LA FORTALEZA SAN JUAN PUERTO RICO 00901. PLEASE NOTIFY US OF THE ASSIGNED LETTER OF CREDIT NUMBER FOR FUTURE REFERENCE. FOR INFORMATION CONTACT MR ARDIN TERON, PHONE NO. (809) 722-4483.

MR. ARDIN TERON
OFFICE OF ECONOMIC OPPORTUNITY
OFFICE OF THE GOVERNOR
LA FORTALEZA
SAN JUAN PR

ACCEPTED PR0819 BLING PROCESSED

WUI NY TELUS 086 0956 11/05
3859430 MGCNR
CTn. 0104061 11/5/81

MR. ROBERT L. TRACHTENBERG, ACTING DEPUTY DIRECTOR
OFFICE OF COMMUNITY SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDANCE AVENUE
WASHINGTO DC 20201

ATTN: MR. THOMAS P. COYLE

VARIOUS OUTSTANDING SITUATIONS REQUIRES YOUR ATTENTION ON BEHALF OF PUERTO RICO:

1 APPROVAL OF THE PUERTO RICO COMMUNITY SERVICES BLOCK GRANT PLAN HAS NOT BEAN CONFIRMED IN WRITTEN.

2 SUBSEQUENTLY: NO FUNDING ADVANCE HAS TAKEN PLACE. (MOREOVER, FUNDING LEVELS ARE STILL UNRESOLVED.) FUNDS REQUESTED WERE TELEGRAPH TO MR. EDWARD WILLIH WITH NO ANSVER AS OF TODAY.

3 :CSA GRANTS FOR:

A) PUERTO RICO COMMUNITY SERVICES ADMINISTRATION
GRANT NO. 81477-K-8192 - 94.385.751 MILLION DOLLARS
EIN 869-0668881112

B) MUNICIPALITY OF SAN JUAN - DEPARTMENT OF HUMAN SERVICES
GRANT NO. 82873-K-81-82 - 1832.709 DOLLARS
EIN 869-0668875

REMAINS SINCE JULY WITHOUT A LETTER OF CREDIT OR CASH ADVANCE. SPLEASE TAKE APPROPRIATE ACTION ON EACH ISSUE. FOR INFORMATION CONTACT MR. ARDIN TERON, OFFICE OF THE GOVERNOR, OFFICE OF ECONOMIC OPPORTUNITY, LA FORTALEZA- SAN JUAN PR 00901 - TEL NO. (809) 722-4483.

ARDIN TERON
EXACUTIVE DIRECTOR
OFFICE OF ECONOMIC OPPORTUNITY
OFFICE OF THE GOVERNOR
LA FORTALEZA
SAN JUAN PR 00901

ACCEPTED PR0838 BEING PROCESSED

88-960 O—82——12

[From the Christian Science Monitor, Aug. 5, 1981]

Are States Ready To Take Initiative in War on Poverty

(By Julia Malone, staff correspondent)

Washington.—The war on poverty, declared 17 years ago and still far from won, is moving out of the federal government and into the states.

Within the next two months the Reagan administration will close the agency that has been a symbol of the national commitment to fight poverty, the Community Services Administration (CSA). An outgrowth of the old Office of Economic Opportunity, the CSA has been official lobbyist for the poor in Washington, and it has funneled millions of dollars into local projects, ranging from meals for the elderly to schools for dropouts.

Now most of that money will be going directly to the states where governors will decide how to use it.

"What this is is a transition from federal to state decisionmaking," says CSA director Dwight A. Ink in an interview sandwiched between meetings to complete the one task he has been appointed by President Reagan to perform: dismantle the agency by Sept. 30. And the soft-spoken, seasoned federal administrator has a reputation for meeting his deadlines.

Eight years ago President Nixon attempted to abolish the antipoverty Office of Economic Opportunity, but Congress balked and set up the CSA to take its place. This time an agreement made by a joint House and Senate committee has sealed the fate of the independent CSA. The decision is one more victory in Mr. Reagan's drive to shrink the federal government.

All that will remain of a federal antipoverty agency is a small "office of community services" in the Department of Health and Human Services (HHS) to administer grants to states. Mr. Ink says that he will not move to the new office and that there is no guarantee that any of the almost 950 CSA employes will either.

For many antipoverty workers, the move against the CSA looks like evidence that the Reagan administration does not care about the poor. They say they will be left to the mercy of the state governments, which often have been hostile to the disadvantaged.

"I can understand these points of view because there have been problems at the state level," Ink concedes. But he adds that there also have been problems at the federal level.

"I simply reject the notion that federal people are compassionate and state employees are indifferent and hostile to human concerns and human problems," says Ink, who also took issue with a recent Harris poll that said most Americans believe Reagan does not care for the poor, the elderly, and the handicapped.

"Of course, I don't agree with that," the CSA chief says. "If I felt that way, I would not have been willing to come in and take [this] job."

Ink's past credits include helping to start the US Department of Housing and Urban Development and running a highly successful aid mission to rebuild Alaska after the 1964 earthquake. To his current credit, he is working quietly, taking care not to criticize the agency he is disbanding. ("He listens," says a longtime antipoverty activist who has been lobbying hard against the Reagan approach.)

The Reagan budget knife has sliced about 25 percent off social programs during the last 10 or 15 years, he argues, and they are "better equipped today than the federal government was at the time OEO was launched [in 1965]" to fight the antipoverty war.

Low-income citizens and minorities must protect their interests through local elections, according to Ink, who also expects the news media to help out. "The development of TV dramatizes these problems in a way that just didn't happen" in earlier decades, he says.

He concedes that the local programs will vary. "There will not be a uniform level of quality," he says. "When it goes to 50 states, you'll have different appoaches."

According to the plan forged on Capitol Hill, the states will divide $355 million in funds targeted for low-income communities, and $35 million will be set aside for national projects such as migrant worker programs.

[From the Christian Science Monitor, Aug. 6, 1981]

REAGAN'S BLUEPRINT FOR WAR ON POVERTY AS VIEWED FROM THE "TRENCHES"

(By Julia Malone, staff correspondent)

WASHINGTON.—Every new victory in the so-called "Reagan revolution" brings more cheers from Americans who want taxes and big government slashed. It also brings more knitted brows among those who have been longtime soldiers in the war against poverty.

Dorothy Nixon Allen used to work as a maid, trying to support her three children on a tiny income. She qualified for welfare, she says, but she didn't believe in taking handouts.

Then came the war on poverty, which President Lyndon B. Johnson declared with great flourish in 1964. He pledged to send the might and money of the federal government into that battle. Dorothy Allen signed up, first as a volunteer at the nonprofit Wake County, N.C., Community Action Program (CAP), a local agency for the antipoverty effort.

Now she is director of the agency, which this year will receive $1.25 million in federal grants. The Wake County CAP uses the funds for projects ranging from Headstart to weatherizing homes and job counseling. Every day it feeds 500 to 600 elderly.

Ms. Allen says those projects are vital to the poor in Wake County, which includes the city of Raleigh. "There are many who were on welfare and now have finished college and have helped to take their families off welfare," she says. "Some have their own businesses. Their children and even their grandchildren would not dare get on welfare."

She adds, "This program has instilled a lot of pride and dignity to poor white people and black people."

With each Reagan success in Washington, however, she becomes more concerned about the future. Already Reagan's budget knife has cut into her staff. She has had to reduce the number of "outreach" workers, who go into the poorer neighborhoods to find out what services are needed. She must rely more on volunteers and must prepare for next year, when federal spending for such social projects will drop 25 percent.

Even more worrisome to her is the Reagan plan, approved by an agreement on Capitol Hill, to give grants to states instead of to antipoverty agencies. That means that agencies like hers will get "whatever the county and state see fit," she says. And they could see fit to give little or no funds to existing groups.

Virginia businessman and avowed "capitalist" Cabell Brand, a 16-year veteran of the war on poverty, also worries that the Reagan floodtide will sink efforts to aid the poor.

"Historically, local and state governments have not been concerned about minorities, poor people, and black people," he says. If states are given total control of funds, "poor people will not get their share. And they need more than their share."

Mr. Brand helped found Total Action Against Poverty in the Roanoke Valley, one of the first community action programs in the antipoverty war. He has been a volunteer and strong supporter ever since. After 16 years, he says, three or four of the local governments in the Roanoke Valley still "don't care whether well live or die" and would prefer to have no antipoverty programs on the theory that if they have no services, poor people will go elsewhere.

States and local governments resisted civil rights, he reasons, and many will be unfriendly to the anitipoverty services Mr. Reagan wants to turn over to them.

The "poor lobby" has won a few concessions on Capitol Hill even amid the Reagan conquest. A total of $390 million will be earmarked for projects for low-income communities, even though the Reagan administration wanted to give the money to the states with no strings attached.

But recently the President promised state legislators in Atlanta that he would push hard to give states more control next year.

"I don't see any letup by this administration," says David Bradley, executive director of the National Community Action Foundation, a coalition to save local antipoverty agencies formed just after the November election. Mr. Bradley adds that anyone outside the upper income brackets will be "steamrolled" under the Reagan administration.

In an interview, a Reagan administration official summed up the fears of antipoverty workers as a natural reaction to change. "Any major change has dislocation problems and painful adjustments and apprehension," said Dwight A. Ink, director

of the Community Services Agency (CSA), a federal antipoverty unit that he has been ordered to dismantle by Sept. 30.

"They know where things are now, but they don't know where things will be down the road," he said of the antipoverty groups, which now get 20 percent to 30 percent of their funding through CSA. The federal government has as many defects and problems as local governments he maintained and it is time to give states back the responsibility for social services.

Meanwhile, some antipoverty groups are taking steps to survive the Reagan revolution. At a community action program in St. Louis, general manager Harold Antoine is making a list of priority projects. Employment and housing will be on top, adult educational programs will be cut back, as will a program to plant vegetable gardens in vacant city lots and a drug and alcohol abuse center.

In Virginia, Cabell Brand is taking his case to private groups and hopes to replace some federal money with private donations. And he is also keeping channels open to the Virginia government, which will be holding the purse strings in the future.

Says National Community Action Foundation head Bradley, "Tough times are ahead, but it's going to be interesting."

[From the Washington Post, Aug. 27, 1981]

For Black U.S. Employees, Topic Is Survival

(By Karlyn Barker, staff writer)

In the past, Norman Seay and other black federal employees used to get together to discuss ways of advancing in the federal system and building job contacts with each other. But this week, with some 8,000 of their number meeting here for a Blacks in Government conference, the talk is all about survival.

Seay, executive vice president of the group and this year's conference chairman, has reason to be concerned. He was officially notified this month that his job is one of those being abolished as a result of budget cuts ordered by the Reagan administration.

"I'm on my way out," said Seay, who works as an equal opportunity specialist at the Health Resources Administration here. His reduction in force (RIF) notice came in a final flurry of such communications from agencies that must trim their personnel rosters by Sept. 30.

Seay and other black federal employees contend the employment cuts are striking a disproportionate number of blacks and other minorities. Blacks, they say, have less seniority in government service and hold a larger share of jobs in the social service and antipoverty agencies that have been hit hardest by the budget ax.

Although neither black officials nor the Office of Personnel Management could provide a racial breakdown of RIF notices issued to date, blacks say they expect the principle of "last hired, first fired" will adversely affect them. They are beginning to collect data on the impact of RIFs on black workers, who make up about 17 percent of the total federal 2.1 million work force, excluding the U.S. Postal Service.

Blacks argue that the RIFs, which they say are striking mid-level professionals just as they begin to move up the career ladder, are only one of the setbacks they are experiencing under the Reagan administration.

"The impact of this new administration is that blacks are in trouble," Marie Dias Bemberry, former special assistant to D.C. Mayor Marion Barry, told conference delegates at a Washington Hilton meeting yesterday. She said the risky future of the Voting Rights Act and plans announced this week to weaken federal job discrimination rules for firms doing business with the government amounted to "assaults on all the gains we've made . . . there are constant attempts to take back what we have."

At the Community Services Administration, for example, black workers say they are losing not only their jobs at the agency—which is being abolished at the end of next month—but also their involvement in social programs they care about.

The CSA employs about 600 workers here and 1,000 workers in all, 60 percent of whom are black. One such worker, business analyst William Johnson, has accumulated eight years of government service and also has held jobs in private industry. Yet he and his coworkers say they probably will have to take pay cuts of $6,000 to $8,000 if they can't find new government jobs and have to go to work in the private sector.

"Its hard to swallow, whatever color you are," said Johnson, a 37-year-old father of three from Clinton, Md.

Patricia Aiken finds the prospect of such a job change particularly stressful. She came to work for the federal government nearly 21 years ago as a GS3 clothing clerk at the Internal Revenue Service.

"I was one of the few blacks that had any seniority when the upward mobility programs got going," said Aiken, 38. "But my seniority isn't going to help me because we're being totally abolished. We don't have retention rights or an umbrella agency that is looking out for us."

Aiken is glad she is single and self-supporting, without the additional family worries of some of her RIFfed friends. Still, she recently signed a contract to purchase a condominium and says her future financial well-being is a constant worry.

"I'll be starting all over," said Aiken, who has appealed to friends at other agencies to be on the lookout for jobs.

A spokesman for a congressional federal government service task force headed by Rep. Michael D. Barnes (D-Md) said yesterday the group will begin monitoring the impact of RIFs on minorities and women and expects to have firm data by October.

But Lonis C. Ballard, president of Blacks in Government, noted in this convention address this week that even without statistics black federal workers know that "survival is the name of the game . . . our careers today are not merely frustrated by stagnation—as in the past—but threatened with extinction."

[From the Washington Post, Sept. 9, 1981]

U.S. Workers Facing RIF Get Little Aid

(By Karlyn Barker, staff writer)

Thousands of federal workers, many just three weeks from losing their jobs, are receiving little meaningful assistance in locating new public or private sector employment, according to government personnel coordinators and the increasingly apprehensive employes themselves.

Despite an elaborate blueprint for cushioning the unemployment impact of the Reagan administration's budget and program cuts, the job placement efforts so far have barely made a dent in the estimated 15,000 workers, including more than 4,200 from the Washington area, who are getting RIF (reduction-in-force) pink slips this fiscal year.

And though the president has said that helping RIFed employees is "a government-wide imperative," most workers and personnel officers surveyed say hiring prospects have been bleak.

In this region, for example, only 10 federal employees had managed, as of last week, to secure jobs through the government's voluntary placement referral system, according to federal placement records. Those placements were all with other federal agencies.

To date, not a single private employer has hired a federal worker through the centralized system, according to those records, although officials are expecting hires to pick up in the weeks ahead.

The government's centralized referral service is not the only placement tool for federal workers who are being RIFed, and there have been some other employment successes.

But the magnitude of layoffs, the tight job market and the inexperience of those conducting the RIFs have made job hunting an ordeal for all but the most specially skilled and determined. Foul-ups and frustrations abound.

Some examples:

An employe at the Department of Energy's soon-to-be-defunct gas rationing office dutifully filled out a form given to him for the government-run jobless service only to discover weeks later that the form had been lost by a placement center before his name could be put in the computerized registry. His last day on the job was Sept. 25.

Employes report how they have eagerly applied for the few openings they hear about, only to discover that as many as 100 to 250 other federal workers are competing for the same job.

Conversely, some placement officers say they have had employes whose jobs are in jeopardy calmly turn down roughly comparable employment offers elsewhere.

The Community Services Administration, shutting down Sept. 30, recently hired a firm to show its 1,000 anti-poverty employes how to land private sector jobs. The firm, unfamiliar with the agency's work force or purpose, gave an upbeat presentation about all the job opportunities for engineers and computer specialists.

Scott Spiewak, an attorney with the Department of Energy's Economic Regulatory Administration, is so angry at the way the agency is handling RIFs that he and others are considering going to court to stop the displacements. He and all 1,200 employes in ERA and the Energy Information Administration have received general RIF notices, although few have definite word yet on who will go.

"There's no way an outplacement counselor can place 1,200 people," said Spiewak, 27, explaining why he has yet to avail himself of the agency's job-hunting services.

An HHS placement counselor complained she spends a third of her time "just answering questions and running interference because the federal agencies are being so uncooperative."

In a memorandum prepared for new Reagan administrators in January, Ed Preston, assistant director for federal personnel policy at the Office of Management and Budget, all but predicted that job placements would be spotty, particularly if agencies failed to give the RIF issue top management attention.

"Defense seems to manage these placement programs very well," Preston wrote. "But those run by most other agencies seem to have been less than effective, even with the priority given to employes through OPM's [Office of Personnel Management] formal Displaced Employes Program. Still, we should try."

Some federal employes and their advocates, however, do not think the government is trying hard enough to place civil servants in new jobs.

"What I'm getting from the employes calling in is that they submit their 171s [government resume forms], sign up for placement programs and and never hear from anyone again," said Robert Honig, staff director of the Federal Government Service Task Force chaired by Rep. Michael D. Barnes (D-Md.).

He argues that attrition could have eased the employment rolls less traumatically, and notes the RIFs will still cost the government $340 million in severance and other worker benefits pay.

Many agencies have issued general RIF alerts to all or large numbers of their workers to comply with the legal requirement to give employes 30 days' notice before termination.

"Crazy or not, people become frozen," said Zandy Leibowitz, a psychologist at the University of Maryland who has done some RIF counseling. "Until you have a specific RIF notice in your hand, the way you get up and go to work every morning is to pretend it isn't happening."

Nationally, OPM's voluntary placement program has accounted for 285 hires, including 42 by the private sector, according to the latest available figures, which are based on data through the end of July.

Davis, who concedes the job picture is "tough, but not impossible," said the regional office here has made 1,639 public and private job referrals since June for the 1,553 government workers registered in the program and expects placements, particularly in the private sector, to pick up by mid-September.

There have been some successes. The National Institutes of Health has hired more than 200 employes from the beleaguered Public Health Service. The Equal Employment Opportunity Commission got into placement activities early and wound up RIFing only 35 workers instead of the planned 284.

The Department of Commerce has used an internal referral system, retirement and aggressive outplacement counseling with follow-up, to trim its RIF rolls from about 1,000 to about 450. Commerce's National Bureau of Standards has had good response from the private sector and other agencies.

A Department of Transportation spokesman reports that the head of its Coast Guard office in Baltimore turned up a number of offers for employes after writing to shipping and other maritime interests along the East Coast.

[From the Washington Post, Sept. 18, 1981]

DWIGHT INK'S DISAPPEARING ACT

(By Kathy Sawyer, staff writer)

Dwight Ink once delivered a speech to a crowd in Omaha by telephone, from a borrowed airline office, after his plance was grounded by fog in Chicago. As he hammered home his earnest message, his long-distance audience suddenly heard strange sounds over the public address system.

They were the sloshing of a mop and the stern warning of a cleaning woman telling him he'd better climb onto the desk if he didn't want his shoes mopped.

Ink kept talking as he complied, so the story goes, as intent as the scrubwoman on finishing the task at hand.

This juggernaut of a bureaucrat is the man President Reagan hired for the thankless task of making the federal anti-poverty agency disappear. In 30 years in the classic role of the civil servant, facilitator of the policy of the moment, he has dodged mops and has served and survived under seven presidents.

He has run programs ranging from atomic energy through housing through the budget to cleaning up after an earthquake in Alaska.

In an era dominated by charges that the bureaucracy is hard to move, Ink scoffs at red tape.

"I regret the notion that the bureaucracy is non-responsive," he said, blinking behind his thick spectacles, a man about as flashy as a filing cabinet, and as shakable.

"The problem is that we don't do a good job of providing good leadership. The bureaucracy does respond to good leadership at the top-management level. They have to know what's expected. I think they are responding now, here, in most difficult circumstances."

He said he believes that good public servants carry out the policies of elected leaders, but he said he also believes that good leaders must trust and rely on their career employes to help determine that policy. Too many administrators, he said, mistake candid recommendations or objections, made by their career staffers, for disloyalty.

Ink now bears the soon-to-be obsolete title of director of the Community Services Administration (CSA), what's left of the Office of Economic Opportunity, created in 1964 to wage Lyndon B. Johnson's War on Poverty. The agency has been ordered to self-destruct by Oct. 1 and scatter its authority to the states. Other agencies may soon follow the kamikaze blueprint Ink is designing for this one.

Ink is known to colleagues as a skilled administrator who can play the bureaucratic levers like a virtuoso, make a call at the right moment, cultivate a member of Congress and build crucial relationships between the permanent career employes and the shifting surface crust of political appointees.

Even the employees whose jobs he is canceling methodically don't seem to resent him. "I believe he is a good administrator, a decent individual," said David Matthews, a veteran antipoverty employe and an officer in his union local, a unit of the American Federation of Government Employes, which has taken legal action to try to save the employes' jobs. "But his hands are tied by the administration, [which is] carrying this out in the harshest, most precipitous way they can."

To those who criticize his current project as a desertion of the poor by the government, Ink emphasizes that he believes the programs will continue, just in different hands. A primary architect of the "new federalism" of the Nixon administration, he said he believes that any program can be better managed by people "out there," close to the problems.

"I do not accept the idea that the federal government is highly efficient and the states are inefficient, that people at the federal level are highly compassionate and the states ignore people and social problems . . . ," he said.

Like many veterans of federal service, Ink argues that the government places too little emphasis on management skills and is driving out its best management talent through a false economy, failing to provide economic and other incentives for them to say. The problem is compounded, he adds, by generous government incentives to retire early.

He blames many of the problems of the CSA, long a favorite whipping boy of Congress, on deficiencies in this area. "I admire many of the career people. But they've been handicapped by political leadership that has often been indifferent to, and sometimes intolerant of, good management," he said.

Ink began his career as an assistant city manager in Fargo, N.D. There, just over a year out of college, he resigned to protest the firing of the city manager when the manager tried to expose local corruption.

Ink has been a top manager at the U.S. Atomic Energy Commission, the Housing and Urban Development Department, the General Services Administration and the Office of Management and Budget. President Johnson sent him to Alaska to direct the restoration of services after the earthquake of 1964. Now retired from the career service, he left a vice presidency of the National Consumer Cooperative Bank to take his current assignment.

Where will he go after Sept. 30, when the doors are to close on the CSA? "I have no idea," he said. "But I've been out of work before."

[From the Washington Post]

ANTIPOVERTY WORKERS CARRY OUT SENTENCE

(By Kathy Sawyer, staff writer)

The last die-hard warriors in Lyndon Johnson's War on Poverty are working overtime these dwindling summer days on a final, bitter mission, to carry out the death sentence for their own agency, the Community Services Administration, by Sept. 30.

It is the first time a federal bureaucracy of significant size has been extinguished, officials say, since World War II.

With the passing of the CSA, whose programs will be dispersed to the states, the nation's poor lose their official champion in Washington, albeit a champion regularly condemned as wasteful and incompetent.

When the poverty fighters launched their heady crusade in 1964, their stated intention was nothing less than to "win," to eliminate most of the nation's poverty by around 1976. The head of the new Office of Economic Opportunity (OEO) was the ebullient Sargent Shriver, brother-in-law to the late President Kennedy, popular head of the Peace Corps, a man with ready access to President Johnson.

But the poverty rate has changed little since those brave beginnings and the political climate has altered dramatically. The hyperbole this season at CSA, the last surviving remnant of OEO, tends toward resignation, even cynicism.

"We are asking our people here to take on the toughest task any group of federal employees has had during peacetime," said CSA head Dwight Ink, a 30-year veteran of the federal bureaucracy.

President Reagan last spring appointed him head of the agency for the sole purpose of killing it. "We have trouble finding a precedent for what we're doing."

Thus, CSA's 1,000 employees are reluctant pioneers in the field of dismantling an agency. In these final days, the CSA is still responsible for administering grants of millions of dollars to 2,000 community action groups and other grant recipients.

At the same time, its employes are hurrying to acquaint state officials with their new responsibilities before the baton is passed, and struggling with the monumental red tape connected with eliminating a bureaucracy.

They "have a far greater workload than usual at a time when morale is very low and they are also having to scramble for jobs," Ink said. "I admire some of these career people . . . who've believed in the mission so much they stayed on despite a hostile political environment."

The antipoverty agency has spent billions of dollars over the years in a variety of programs, from job training for young people, to health care, to meals for the elderly, to bus service in Appalachia, all designed to help the poor become economically self-sufficient.

The Nixon administration attempted to eliminate the agency but was blocked by a court decision. Instead, OEO was whittled down to CSA.

Now the Reagan administration, as part of its move to shift more authority from the federal government, has won congressional approval to send funds targeted for poor people directly to the states, where the decisions on how to spend them will fall to the governors.

But Congress refused to give the states total discretion, as Reagan wanted, and insisted the money be earmarked for antipoverty programs.

Rather than transferring the duties and personnel of CSA into some larger department, the traditional game of bureaucratic musical chairs, this entity is truly doomed, Ink said. The only remaining trace of a federal antipoverty agency will be a small Office of Community Affairs at the Department of Health and Human Services, where grants to the state will be administered.

Critics fear some states will be indifferent custodians of programs for the poor, as some have been in the past. Ink acknowledges there will be "variations" in effectiveness from one state to another, but defends the move. The federal role was always intended to be a temporary one, he said.

Besides, the environment of the 1980s includes elements which did not exist when federal intervention was deemed necessary: an increase by the states in their share of spending for social programs, better organized community groups and heightened visibility given the problems of the poor by the media and others.

Still, some veteran antipoverty workers at CSA disagree passionately as they stare at their federal pink slips.

"It's a joke," said John Macomber, who has worked for the agency throughout its 17-year existence. Like many other CSA employes, his tone is a mix of disillusionment and pride, anger and resignation, as he talks about the "excitement and chal-

lenge" of the early days, about what went wrong, and traces such derailments as the war in Vietnam and the intransigence of problems at home.

"We were going to eliminate poverty by 1976," he said, fiddling nervously with a drawer of his desk. "Now we're going down the drain. I feel very sad. Sad for the people this agency and programs have served. They will bear the brunt of the burden."

[From the New York Times, Sept. 19, 1981]

Death Comes to a Federal Agency

(By David Shribman)

Washington, September 18.—The signs are everywhere. The end is near at the Community Services Administration.

There is nervous talk in the elevators. There are job notices in the corridors. A secretary wonders if her typewriter will be repaired before she, in the rather inelegant phrase that has become fashionable in Washington these days, is terminated.

Meanwhile, in the fifth-floor office suite where Dwight A. Ink is presiding over the first wholesale elimination of a major independent agency since the end of World War II, the bookshelves are empty and the Presidential order designating him the agency's last administrator is propped against the wall. There was no time to hang it.

The Federal antipoverty agency, one of the centerpieces of the Great Society, is closing Oct. 1. Its death symbolizes the end of an era of Federal activism in social affairs.

So it is somewhat ironic that President Reagan chose Mr. Ink, a man who has served seven Presidents and is a symbol for the permanence of Government, to sever the Federal cord on the programs for nutrition, senior citizens, youth employment, and weather-proofing of homes that are run by community action agencies.

Mr. Ink is a Washington phenomenon, one of the officials whose names constantly turn up as an assistant secretary, assistant director or deputy administrator in both Republican and Democratic administrations. Ordinarily such survivors are possessed of a conviction that Government is an instrument for improving the lot of society. But today instead of planting new seeds, many of these officials are pruning the tree of Government.

Shouldn't Be Here Forever

"We shouldn't feel we have to retain every agency we set up," said Mr. Ink, a slight, soft-spoken man. "These things shouldn't be here forever."

Even though the agency will fade from the Washington scene next month, some of the programs spawned by the Community Services Administration and its predecessor, the Office of Economic Opportunity, have become part of the landscape of American life: the Job Corps, the Legal Services Corporation, Vista, and Foster Grandparents.

Congress has authorized $389 million for community service block grants so that many, but not all, of the type of activities run by Mr. Ink's agency can be picked up by the states or, temporarily, by the Department of Health and Human Services. Federal funding f the programs, however, will be cut by about one-fourth.

Mr. Ink was here at the beginning of the era of explosive Government growth; he was an assistant secretary of the Department of Housing and Urban Development in its early days. Now he is here at the end of that era, closing an agency that once had a budget of $2 billion, employed more than 3,000 people and had its own graphics shop and full-time film producer.

Although critics contend that the death of the agency is a symbol of the Government's retreat from the war on poverty, Reagan Administration officials believe the Community Services Administration is an idea whose time is gone.

"By the time of the mid-1960's arrived, we had given too little attention to the problems of the poor and the ghettos," said Mr. Ink "The cities were burning. Whole communities were self-destructing. This was truly a crisis situation and it was necessary for the Federal government to intervene."

"Over a period of 17 years," he said, "there has been enough effort and enough action and enough knowledge developed that we no longer need that degree of Federal presence."

Mr. Ink is a manager rather than an ideologue, but he believes that decisions on social issues affecting local areas are best made by the states or at the local level. It

is a position that he developed as assistant director for executive management in the Office of Management and Budget, where he helped generate some of the early "New Federalism" ideas for President Nixon.

Eight years ago, Howard Phillips, now the head of the Conservative Caucus, was prevented by a Federal court order from dismantling the Office of Economic Opportunity, the Community Services Administration's predecessor. The move by Mr. Ink to eliminate his agency has the support of Congress and is an integral part of the Administration's program to award block grants with few restrictions on their use, rather than specifying how communities must spend Federal money.

A PERIOD OF TRANSITION

"I don't look upon this as bringing a program to an end," he said. "I look upon it as a transition, a returning of local decisions to local governments. The elimination of a Federal agency is incidental to this process. It's a very important incidental to the men and women employed here, of course, but the main thrust of the President's program is the devolution of programs back to state and local governments."

Mr. Ink, whose life in Government has consisted primarily of initiating or reorganizing programs, is helping to fulfill Mr. Reagan's goal. But if he does it with a manager's zeal, he also does it with a tinge of sadness.

"It's a very traumatic situation," said Mr. Ink. "Most of our employees have spent most, if not all, of their careers here. They tend be more mission-oriented than most Government employees. When a whole agency is going to close—everything—you don't even have a personnel office that will still be here when the employees aren't. Here the personnel officers themselves are looking for jobs."

[From the Washington Post, Sept. 21, 1981]

PANEL FEARS "SOCIAL CHAOS" AFTER CUTS

(By Warren Brown, staff writer)

A government advisory panel warned yesterday that President Reagan's economic policies will result in fewer jobs, greater welfare dependecy and a higher crime rate "that could lead to social chaos."

The exceptionally sharp criticism was made in the final report of the 15-member National Advisory Council on Economic Opportunity, a congressionally created body whose members are presidential appointees. The 14-year-old council is marked for administrative death Oct. 1.

Adding to the sting of the council's parting shot was a separate statement by its chairman, Arthur I. Blaustein, who accused the administration of "separating economic theory from social policy and pursuing the former at the expense of the latter. . . ."

"There is a price to be paid for the reduction of human and social services," Blaustein said. "That price is that these cutbacks will not reduce crime; they will increase it. They will not promote better family life; they will destabilize it. They will not increase respect for the law; they will weaken it."

The council chairman said that Oct. 1, when the administration's $35 billion cuts in social and other federal spending take effect, "will be remembered as a day of infamy, for it will mark the worst massacre of social and human service programs in American history."

But White House officials, already stung by the labor-sponsored demonstration that brought more than 250,000 people to Washington Saturday to protest Reagan's policies, strongly denied the council's charges.

"We're aware of the general thrust" of the report, said Mark Weinberg, assistant press secretary to the president. "But the president's strong belief is that his economic program, which will not produce instant miracles, will, over a steady course, produce prosperity for all."

Weinberg said Reagan "understands the concerns and frustrations" of those who say his economic policies are hurting working people and the jobless poor. But it is the president's belief that "the true enemy of working men and women is the sick national economy," the spokesman said.

"He does not believe that the kind of course that he is pursuing will bring the type of adverse conditions that some are predicting. There is no one more interested in improving the economy" than the president, Weinberg said.

"That's no answer," Blaustein, a Democrat, responded. "The president's economic program will not provide jobs for the country's 29 million poor people. It'll mostly provide benefits for business."

Blaustein said his comments and the committee's report were not influenced by partisan considerations or the council's imminent demise. "These conclusions were reached long before there was an announcement of phase-out for the council," he said.

Among the conclusion of the report are:

Poor women, particularly those rearing children alone, will be hardest hit by any reduction in social services. Two out of three poor adults are women, according to the report, which said the United States is "experiencing a 'feminization of poverty.'"

Different reasons exist for the kinds of poverty affecting women and men—and the difference frequently makes women more vulnerable. "For example, after a divorce, mothers must often bear the economic as well as emotional responsibility of child-rearing, a burden that often impoverishes the family."

Social welfare policy should be refocused to provide services such as "quality day care" that can help wage-earning mothers keep their jobs and care for children.

The government, which under Reagan is moving to reduce federal intervention in private-sector hiring practices, should do more to eliminate "structures and practices that bar women from jobs now held by men with similar education, skills and experience in the labor force."

Nearly 11 million people have been removed from the nation's poverty rolls in the last decade, largely because of federally funded social service programs.

The council's research into the history and performance of the social service programs indicates that their benefits outweigh their costs, that "these federal programs do work; that they do help people get out of poverty; and that the delivery systems are providing the necessary basic human and social services."

"The council is well aware that the economic difficulties facing our nation are complex and often seem overwhelming," the panel said in its joint statement. "But these difficulties cannot be used as an excuse for reneging on our social and moral commitments as a nation."

The council also expressed misgivings about Reagan's drive to give states more responsibility for the administration and funding of welfare and social service programs.

"We are deeply troubled by the notion that national issues, ones that require national policy and programs and that are a part of our national purpose, should suddenly devolve to the states. The issue is not federal versus state responsibility; rather, it is the diminution or avoidance of any national standards of responsibility and accountability," the council said.

[From the Los Angeles Times, Sept. 21, 1981]

U.S. Cuts Will Devastate Poor, Panel Charges

(By Henry Weinstein, staff writer)

Massive federal cuts in social programs will create a "social Pearl Harbor which will have a devastating impact on the poor," the National Advisory Council on Economic Opportunity charged Sunday.

After declining for more than a decade, the number of poor has been rising again for the last two years, the council noted in its annual report to the President.

Particularly hard-hit are women and households they head, now accounting for more than 50% of the poor, the council said in what it called the "feminization of poverty."

Reagan Administration policies will accelerate both trends, the council charged.

"Even as it issued its annual report, the small, 14-year-old agency prepared to go out of business Oct. 1, itself the victim of the $140 billion cutback in anti-poverty and income transfer programs that take effect that day.

In its swan song, the council presented considerable data to attack what it called "the myth that poverty had been eliminated in the 1970s."

POVERTY PERCENTAGE

In fact, figures recently released by the U.S. Census Bureau revealed the percentage of the nation's population in poverty rose to 13% in 1980 from 11.7% in 1979. About 29.1 million individuals are now below the poverty line, the Census Bureau

said. (A family of four is said to be officially poor if its annual income is below $8,414.

Another 30 million people who currently "hover just above the poverty level" will sink beneath it if the Reagan Administration continues to back away from anti-poverty efforts, the 15-member council said.

The council recommends a three-year renewal of the Economic Opportunity Act of 1964 and the Legal Services Corporation, "two programs that are essential to the well-being" of poor Americans. The EOA, authorizing a host of anti-poverty programs, is virtually dead, and while it appears Legal Service will survive it is likely to be severely curtailed.

It is unlikely, council members said, that there will be much response from Reagan on the report, since the Administration has not made contact with the council since his inauguration in January.

But the council's final report, delivered to the White House on Friday, arrives as Reagan is about to ask Congress to cut another $16 billion in social programs and it will provide ammunition for members of Congress who plan to fight the cuts.

The reports, "Poverty in the Eighties," challenges Reagan Administration economic theory that growth in the private economy would "trickle down" to the poor in the form of more jobs and better income. The report cited studies showing that growth in the private economy "has had a declining role in reducing poverty."

On the contrary, the report said that "virtually all of the reduction in poverty since the mid-1960s has come about through the expansion of social insurance and income transfer programs" of the kind now under attack by the Administration.

According to official federal figures, 36 million Americans were below the poverty line in 1964 when major anti-poverty efforts were launched during the Johnson Administration. The number of poor decreased by 11 million over the next 14 years, but the number of poor has increased the last two years, the report noted.

The council, whose members include attorneys, civil rights activists, economists, union and church leaders, said the Reagan Administration budget "will be self-defeating," having a negative impact on the work ethic and family life. For example:

RISE IN WELFARE

There will be a sharp rise in expenditures for welfare and unemployment insurance caused by the loss of between 210,000 and 330,000 jobs resulting from cuts in public service employment under the Comprehensive Employment and Training Act (CETA).

Some of the nation's working poor will be discouraged from working because in some states the Administration's program will eliminate the difference between what a family helped by Aid to Families with Dependent Children (AFDC) can receive if no one works and the income it can receive with a full-time worker.

Welfare recipients who work will have their grants cut by an average of more than 20%, versus a 4% reduction for those who do not work.

Families with young children—especially minority families and families headed by women—will be among "the worst victims of the hardships imposed by the Administration's cuts." A single-parent with two children could lose up to 30% of its disposable income from reductions in AFDC, food stamps and child nutrition programs alone.

MOST ARE WOMEN

A major section of the report deals with "Women in Poverty," noting that two out of three poor adults are women, according to Commerce Department statistics.

As part of the growing "feminization of poverty," there have been the following developments, according to the report:

In the 1970s more of the poor were women. And more women, especially those heading families with minor children, became poor. Whereas persons in female-headed households were about 38% of the total poor in 1967, this rose to 53% of the total by 1978.

One in five families in the United States had a single parent in 1978 compared to one in nine in 1970. Most of these single parents are women, and their risks of poverty are almost three times that of single fathers.

The increase in poor families headed by black females increased from 740,000 to 1.2 million during the 1970s.

A young (under 25) female household head was eight times more likely to be poor than a young man in 1978, up from five times more likely in 1967. "It is among the rising generation of young women . . . that the poverty of the 1970s has been most devastating, and that the outlook for the 1980s is most bleak."

There was an increase of 1.2 million poor children in families headed by a woman from 1969 to 1979.

"We're calling attention to a special group of people—poor women who are heads of households—to draw attention before it becomes an insurmountable problem," said L. C. Dorsey, one of the 15 members of the council.

"If we don't do something about the children" in these families, "we imperil our future," said Dorsey, who is program director for the Delta Ministry, a church-sponsored human rights organization in Mississippi.

It is quite critical of the Reagan plan to combine large numbers of what are called "categorical programs" into bolck grants that will give state legislatures considerably greater authority over how antipoverty money is spent.

"The effect of the block grant proposal," said council chairman Arthur I. Blaustein, "is to destroy existing support systems that are effective, that have a proven capacity to deliver services, and that utilize local planning and implementation capabilities.

"They are being replaced by a new system that has a poor track record, and is restrictively financed, more bureaucratic, less accountable, and more subject to intense pressures," Blaustein said.

[From the Fresno Bee, Sept. 21, 1981]

"Massive Suffering" for Poor in Reagan Cuts

(By Henry David Rosso)

Washington.—Reagan administration budget cuts will cause "massive suffering" for the poor, and force many more Americans below the poverty line into hopelessness and despair, a congressional advisory council reported Sunday.

Cuts in social programs "will result in a substantial increase in the number of poor, as those who hover just above the poverty level will sink into utter hopelessness," reported the National Council on Economic Opportunity.

"The results are predictable—more crime, physical and psychological illness, broken families, racial division and the potential for violence."

The 15-member council, established by Congress and appointed by the president to make annual reports on poverty programs, is scheduled for abolition by the Reagan administration.

In its final report to President Reagan, the council termed administration tax cuts "regressive and punitive," and criticized administration plans to turn federal social programs over to states, which "have traditionally treated the poor with indifference, if not hostility."

In a letter to Reagan accompanying the report, council chairman Arthur Blaustein said evidence shows federal anti-poverty programs works, provide necessary basic human and social services and help lift people out of poverty.

In addition to the 25 million Americans still living in poverty, there are another 30 million "near poor" who could cross the line into poverty, Blaustein said.

"Ill-considered policies cannot be allowed to drive whole segments of our citizenry toward hopelessness and despair," Blaustein said.

"The council believes that the substantial budget cutbacks in human and social services programs proposed in your economic package to Congress represent a severe setback to the poor as a whole, and in particular to the elderly, to women, to minorities and to the young."

The council said it is "gravely concerned" about cuts in federal social programs, the handing over of those programs to the states and the proposed elimination of the Legal Services Corp.

"Each of these decisions taken alone would be painful; but taken together they will be absolutely devastating," the council said.

The council challenged Reagan administration statements that the president's economic program will help everyone by stimulating growth and new jobs, saying evidence shows that only programs aimed at the poor will bring people out of poverty.

The "massive suffering" that will accompany the cuts in social programs "cannot be balanced by any credible long-range benefits from the administration's program—even under the most optimistic economic assumptions," the council said. The council recommended, in part:

Immediate imposition of across-the-board price-wage-and-profit controls.

Restoration of the full funding of the food-stamp program.

Legislation that would expand government assistance for the establishment of farmers' markets and other forms of direct farmer-to-consumer marketing.

Expansion of federal technical and material assistance to help set up vegetable gardens in low-income urban neighborhoods.

Community Action Agencies become consumer advocates and participate in activities such as requesting supermarkets to stock more low-stock generic brands.